# Agenda Item #1

STATE OF MAINE
COMMISSION ON GOVERNMENTAL ETHICS
AND ELECTION PRACTICES
135 STATE HOUSE STATION
AUGUSTA, MAINE
04333-0135

To: Commission Members

From: Staff

Date: December 6, 2006

Re: Request to Investigate the Maine Heritage Policy Center

On October 19, 2006 the Ethics Commission received a request by Carl Lindemann for an investigation regarding the activities of the Maine Heritage Policy Center (MHPC) with respect to the Taxpayer Bill of Rights (TABOR) citizen initiative. He has been joined by Democracy Maine, an organization which was opposed to TABOR. The request argues that the MHPC must file campaign finance reports as a political action committee or must file more limited reports under 21-A M.R.S.A. §1056-B. At its meeting on October 31, the Commission postponed a decision on whether the MHPC must file a §1056-B report to provide the staff with additional time to consider the constitutional issues and request comments from other affected organizations which might have to file §1056-B reports depending upon how the Commission interprets the requirement.

In his request, Mr. Lindemann argues that the MHPC:

> carries out significant, yet undocumented efforts to pass TABOR through unknown numbers of its staff funded by unknown contributors. Despite operating alongside and, often, in the place of the measure's proponent, MHPC is not registered as a Political Action Committee, has not disclosed making in-kind contributions to the proponent PAC, or has filed a form 1056-B.
>
> MHPC's efforts on behalf of the passage of TABOR include many of the functions that otherwise would be conducted by the measure's proponent PAC. Most visible are how MHPC representatives serve in the place of

> spokespersons for the proponent PAC and provide numerous public relation services. ...
>
> The larger, fundamental question raised by MHPC's conduct is, if allowed to continue unquestioned, how it invalidates the public's interest in transparency in the political process.

Mr. Lindemann has employed rhetoric and public relations tactics that are unusual for complainants before the Commission. As explained below, it is quite possible that he arranged for a contribution to the MHPC following the October 31 meeting in order to gather information about the MHPC's fundraising practices. The staff encourages you to look beyond these tactics and to apply the law as it written to the facts of the case. Based on our analysis, we agree with Mr. Lindemann that the MHPC should be required to file a financial report under §1056-B if it has raised or spent more than $1,500 to promote, initiate, or influence TABOR. Based on the evidence available at this time, it does not appear that the MHPC qualifies as a PAC.

**MHPC's Description of its Activities**

Attorney Daniel I. Billings has responded on behalf of MHPC by letter dated October 26. He states that the MHPC is a "nonprofit, nonpartisan research and educational organization whose purpose is to analyze and promote conservative and free market public policy solutions that will benefit the people of Maine." He states that the MHPC wrote the TABOR legislation following a 2004 conference on Maine's high tax burden, and that the legislation was provided to a State Senator for introduction in the Maine Legislature and to anti-tax activist Mary Andrews. In October 2004, Ms. Andrews received approval to circulate petitions to put TABOR on the ballot as a citizen initiative.

Billings explains that in the two years since then, the MHPC has conducted additional research on the tax and spending limitations in TABOR and has been invited to speak about TABOR numerous times:

> Most often, the MHPC has been asked to educate audiences about what the bill says, why it was designed the way it was and in what context it was seen as a solution. ... The staff of MHPC is seen as experts on the initiative, and as such, has been asked to testify at the Legislature and at the municipal level, and also to speak at debates and service organizations regarding the research and analysis MHPC has conducted. Often, MHPC is contacted by the media to answer technical questions about the bill or to answer charges from those opposed to the [TABOR] initiative.

Billings adds that the MHPC does not specifically advocate a yes vote on TABOR and does not engage in advertising relating to TABOR:

> The Maine Heritage Policy Center has not distributed or produced political literature that specifically advocates a "Yes on 1" or "Vote Yes on TABOR" position. In their remarks, MHPC's staff does not tell people to vote one way or the other. ... MHPC has not purchased television, radio, or newspaper advertisements to influence the outcome of the referendum. MHPC has not purchased nor distributed lawn signs, bumper stickers, or other types of campaign material.

The MHPC has provided a three-ring binder of press releases, newsletters, and reports on a variety of taxation and spending issues which include TABOR and other topics.

At your October 31 meeting, the MHPC's president, Bill Becker, denied that the MHPC had promoted TABOR. He compared the organization to other educational or research institutions such as the Margaret Chase Center at the University of Maine or the Muskie School of Public Policy.

| | | |
|---|---|---|
| 4/1/06 Heartland Institute | Bill Becker | "The referendum will boil down to a fundamental debate on the future of this great state." "The referendum campaign will be a choice between those who support the status quo versus those who believe in greater economic prosperity." |
| 6/21/06 Magic City Morning Star | Bill Becker | "This measure is reasonable, fair, and well-written. The Taxpayer Bill of Rights offers a positive solution to Maine's onerous taxes while allowing room for government growth." |
| 8/20/06 Lewiston Sun-Journal | Bill Becker | "[Limiting taxation and government spending] has been an issue we've been passionate about from the very beginning." "The Maine TABOR was written specifically for Maine." "This idea is sweeping the nation because taxpayers are fed up." "We're tired of being at the bottom of the economic barrel" "Is it any wonder that other states don't want to join us." |
| 9/13/2006 Blethen Newspapers | J. Scott Moody | "[TABOR], at the end of the day is going to mean more money in the pockets of the average Mainer …." |

Many of the MHPC's publications include sophisticated analysis prepared by MHPC employees with specialized backgrounds in economics or public policy. In that sense, the MHPC does produce materials that could be categorized as educational or based in statistical research. The promotional aspect of some of the MHPC's statements, however, seems to put it in a different category than the Margaret Chase Center or the Muskie School which to my knowledge were neutral on TABOR. They do seem sufficient to request that the MHPC consider whether it has received contributions or made expenditures of more than $1,500 for the purpose of initiating, promoting, or influencing in any way TABOR.

**Funding for MHPC's Activities on TABOR**

Initially, the MHPC denied receiving any contributions to influence TABOR. In his October 26 letter, Mr. Billings wrote:

> The Maine Heritage Policy Center does not solicit or receive funds that are predicated on the Center's taking a position on any issue. All donations

> received are used to support the overall operations and general mission of the Center. ... It has not solicited or received any contributions to influence the outcome of a referendum campaign.

Mr. Lindemann believes these claims are false. He has obtained documents relating to a contribution to the MHPC dated November 1, 2006 from Mr. David A. Briney of Denver, Colorado. Based on Mr. Briney's check, accompanying note, and mailing envelope, the contribution is conspicuously in support of TABOR. Mr. Lindemann does not explain how he came into possession of these documents, and it is possible that he arranged for the contribution in order to gain information about the MHPC's fundraising practices.

In response, Bill Becker sent at a thank you letter dated November 6 from Mr. Becker to Mr. Briney, which includes the following language:

> On behalf of the Board of Directors, please accept m sincere thanks for your generous contribution of $125.00 to The Maine Heritage Policy Center. We are grateful for this donation, and will use it to advance our mission of promoting The Taxpayer Bill Of Rights, a solution that will benefit all people of Maine.

At first glance, I took the letter to be a form letter designed for contributions to the organization in connection with TABOR. I requested further information, which resulted in a December 4 letter from Dan Billings.

In that letter, Mr. Billings states that the "MHPC staff has reviewed all contributions received by the Center this year." He states that the MHPC received four to six contributions that specifically referenced TABOR in 2006, although he continues to claim that MHPC has not received any funds to promote, initiate, or influence the TABOR initiative. The staff is confused by these statements and is hopeful that more light can be shed through testimony at the December 12 meeting. Mr. Billings does not specifically address funds received in 2005 making reference to TABOR.

Also, Mr. Billings states that the MHPC has not solicited any contributions or other funds in connection with the TABOR initiative. He does state, however, that the "MHPC has mentioned TABOR related work in its general fundraising activities." He has included a single fundraising letter dated October 18 which he states was mailed after the November 7 election to MHPC members. TABOR is heavily featured in the letter, and it is unknown whether pre-election fundraising letters relied upon TABOR to a similar extent.

**Requirements for PACs and §1056-B Filers**

The legal requirements for PACs in Maine are fairly extensive. They must register with the Commission and disclose their primary fundraisers and decision-makers, bank account, and assets available for political purposes. PACs must report <u>all</u> contributions received and expenditures made – including those expenditures not made to influence a candidate election or ballot question (*e.g.*, rent, insurance payments, reimbursements to staff or volunteers for expenses, compensation to accountants). They must appoint a treasurer and keep records of all contributions and expenditures.

In 2000, the Legislature modified subsections 3 and 4 of the PAC definition to restrict it to organizations whose *major purpose* is to advocate the passage or defeat of a ballot question, and raised the reporting threshold to $1,500. (Public Laws of 1999, Chapter 729, §§ 6 & 7 (amending 21-A M.R.S.A. § 1052(5)(A)(3) & (4)) It also created a separate reporting requirement for persons and organizations other than PACs that are raising and spending more than $1,500 for a ballot question campaign. (Chapter 729 section 8 (enacting 21-A M.R.S.A. § 1056-B)) The new requirement was designed to be less burdensome than the requirements for registration and reporting as a PAC.

This legislation was enacted in direct response to a U.S. District Court decision in Maine, *Volle v. Webster*, 69 F.Supp.2d 171 (D. Me. 1999), in which the court held the broader PAC definition unconstitutional as applied to individuals and groups that were not formed for the primary purpose of advocating for the passage or defeat of a ballot question and were spending small amounts (just over $50) in ballot question campaigns.

Under this new requirement in section 1056-B:

> Any person not defined as a political committee who solicits and receives contributions or makes expenditures, other than by contribution to a political action committee, aggregating in excess of $1,500 <u>for the purpose of initiating, promoting, defeating or influencing in any way</u> a ballot question must file a report with the Commission. In the case of a municipal election, a copy of the same information must be filed with the clerk of that municipality. (21-A M.R.S.A. §1056-B) (underlining added)

The requirements on §1056-B filers are substantially less than PACs. Section 1056-B filers are not required to report all contributions received and expenditures made – only contributions received and expenditures made in connection with the ballot question. They are required to file at most a few pre-election reports and a single post-election report. The filers are not required to disclose primary fundraisers or decision-makers, or a bank account. They are not required to appoint a treasurer or to keep records.

**The MHPC does not appear to qualify as a PAC**

Mr. Lindemann asserts that the MHPC may qualify as a PAC under Maine law. The term political action committee is currently defined as:

**5. Political action committee.** The term "political action committee:"

A. Includes:

(1) Any separate or segregated fund established by any corporation, membership organization, cooperative or labor organization whose purpose is to influence the outcome of an election, including a candidate or question;

(2) Any person who serves as a funding and transfer mechanism and spends money to initiate, advance, promote, defeat or influence in any way a candidate, campaign, political party, referendum or initiated petition in this State;

(3) Any organization, including any corporation or association, that has as its major purpose advocating the passage or defeat of a ballot question and that makes expenditures other than by contribution to a political action committee, for the purpose of the initiation, promotion or defeat of any question; and

(4) Any organization, including any corporation or association, that has as its major purpose advocating the passage or defeat of a ballot question and that solicits funds from members or nonmembers and spends more than $1,500 in a calendar year to initiate, advance, promote, defeat or influence in any way a candidate, campaign, political party, referendum or initiated petition, including the collection of signatures for a direct initiative, in this State ....

21-A M.R.S.A. §1052(5). The staff concludes that the MHPC is not a PAC, based on information available at this time. Applying the four parts of the definition in reverse order, it does not appear that the MHPC has as its major purpose advocating for TABOR, which disqualifies it from being a PAC under 5(A)(3) and (4). MHPC was formed before TABOR was drafted or circulated as a ballot question, and the materials supplied by MHPC reveal that it is engaged in a variety of activities relating to tax reform and economic issues, beyond TABOR.

It does not appear to be a "funding and transfer mechanism" under 5(A)(2) because it has received only limited contributions to influence TABOR. Further evidence regarding contributions received by the MHPC could require a re-evaluation of this conclusion. There is no evidence that the MHPC is – or has – a separate or segregated fund to influence TABOR referred to in 5(A)(1), and its counsel has specifically denied this. It therefore appears that the MHPC is not a PAC.

**Constitutional Issues**

Section §1056-B requires reporting by any organization that "receives contributions or makes expenditures … aggregating in excess of $1,500 for the purpose of initiating, promoting, defeating or influencing in any way a ballot question …" (underlining added) even though such activities do not constitute its major purpose. The language, on its face, is fairly broad, and it has not yet been interpreted by any court in Maine. It could be interpreted to encompass the types of promotional activities that MHPC has been engaged in with respect to TABOR, as noted above.

In his October 26 and December 4 letters, Dan Billings urges the Commission to interpret the 21-A M.R.S.A. §1056-B narrowly to cover only expenditures on communications that expressly advocate the passage or defeat of a ballot measure. In effect, the MHPC is asking the Commission to depart from the plain language of §1056-B ("influencing in any way") and to read it to cover only express advocacy.

We believe that while the constitutional concerns expressed by the MHPC are worthy of consideration, the guidance provided by the courts to date does not suggest that the Commission must construe the statute as narrowly as MHPC urges. The United States Supreme Court did strike down a Massachusetts statute that prohibited corporations from spending their funds to advocate the defeat of a ballot measure, in *First National Bank of Boston v. Bellotti*, 435 U.S. 765, 790 (1978), and also invalidated an Ohio statute that prohibited an individual from printing a flyer advocating defeat of a referendum question unless the author was identified in the text of the flyer. *McIntyre v. Ohio Elections Comm'n*, 514 U.S. 334 (1995). However, those cases involved statutes that either governed the content of political speech, or restricted who could make expenditures on ballot question campaigns. In contrast, section 1056-B does not restrict an organization's ability to speak out for or against a ballot question and does not require identifying information to be printed on the communication itself.

The United States Supreme Court has upheld statutes that simply required the disclosure of the names of those contributing or spending money to support or defeat a ballot initiative, in a report to be filed with a governmental agency. *Buckley v. American Constitutional Law Foundation*, 525 U.S. 182 (1999), and *Citizens Against Rent Control v. City of Berkeley*, 454 U.S. 290 (1981). Indeed, the courts have generally been quite willing to uphold after-the-fact reporting requirements, while subjecting restrictions on the content of political communications (e.g., requirements for certain disclosures in the text of the communication) to greater scrutiny.

All of the above mentioned cases were raised and discussed by the U.S. District Court (Hornby, J.) in *Volle v. Webster*, as the basis for the court's conclusion that "although there are First Amendment restrictions on what a state can do, a public filing requirement in an issue-only election is not wholly prohibited." 69 F. Supp. 2d at 174. Another federal District Court within the First Circuit reached a similar conclusion in discussing these same cases more recently, noting "none of these cases holds that a state's interest in public disclosure of campaign funding sources can never justify regulation of contributions and/or expenditures with respect to ballot questions." *Rhode Island Affiliate ACLU v. Begin*, 431 F. Supp. 2d 227, 238 (D. R.I. 2006).

Dan Billings cites as authority for his position *Richey v. Tyson*, 120 F. Supp. 2d 1298, 1318-19 (S.D. Ala. 2000), in which the federal District Court chose to construe the phrase "for the purpose of influencing" in Alabama's Fair Campaign Practices Act more narrowly to require disclosure only of contributions and expenditures that involved express advocacy in ballot question campaigns. The *Richey* court relied heavily on the fact that the Alabama Legislature had employed the same phrase "for the purpose of influencing" that was used in the Federal Election Campaign Act governing candidate elections and was narrowly construed by the U.S. Supreme Court in *Buckley v. Valeo* to encompass only "express advocacy." *Richey* was decided before *McConnell v. Federal Election Commission*, 540 U.S. 93 (2003), however, which held with respect to <u>candidate</u> elections that it is not unconstitutional for governments to require financial disclosure of political speech going beyond express advocacy, as long as the reporting requirements are not vague or overbroad. It is not clear whether the federal court in Alabama would have felt as constrained to employ the express advocacy test if it were addressing the same issue with the benefit of the Supreme Court's clarification in *McConnell* that the express advocacy test is not constitutionally required.

This case law is far from conclusive in terms of defining the scope of disclosure requirements that the courts will permit in ballot issue campaigns. Based on the legal research that the Commission's counsel and I have performed to date, however, we cannot agree with Mr. Billings that the court decisions "lead[] to the conclusion that state regulation of speech regarding referendum questions is only constitutional if the regulation is limited to speech which expressly advocates the passage or defeat of a referendum question." The case law is simply not that clear-cut.

The Legislature crafted the reporting requirement in §1056-B to address the constitutional concerns identified by the District Court in *Volle v. Webster.* As written, the statute imposes no requirement for organizations such as MHPC, MMA and others who have commented on this matter, to register or form a PAC if their major purpose is not to engage in ballot question advocacy. And the statute does not restrict in any way the content or quantity of communications by such groups regarding ballot questions. In contrast to our statutory provisions on independent expenditures in candidate elections, where the language used clearly limits the scope of reportable expenditures to communications that "expressly advocate," the Maine Legislature has not seen fit to articulate such a narrow standard in the area of ballot question campaigns. Accordingly, we believe the Commission should apply §1056-B as it is written to require reporting of contributions received or expenditures made "for the purpose of initiating, promoting, defeating or influencing in any way a ballot question." We do not believe it would be proper for the Ethics Commission as an administrative agency to limit the application of a statute contrary to the apparent intentions of the Legislature as expressed in the plain language of the statute.

In addition, as a matter of policy, reading §1056-B to cover only express advocacy seems at odds with the disclosure purposes of the campaign finance law. The underlying purpose of this type of campaign finance reporting is to provide the voting public with information concerning which individuals, groups or organizations are influencing Maine's ballot question elections, and what expenditures have been made to influence voters.

STATE OF MAINE
COMMISSION ON GOVERNMENTAL ETHICS
AND ELECTION PRACTICES
135 STATE HOUSE STATION
AUGUSTA, MAINE
04333-0135

To: Commission Members and Counsel
From: Jonathan Wayne, Executive Director
Date: December 20, 2006
Re: Analysis of September 18, 2006 TABOR Debate

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In case you have not yet had an opportunity to watch the videotaped TABOR debates submitted by the Maine Municipal Association (MMA), this memo summarizes the September 18, 2006 debate at the Waterboro Town Hall from the perspective of whether the Maine Heritage Policy Center provided its executive director Bill Becker for the purpose of promoting or influencing the TABOR initiative.

The event was part of a meeting of the Eleven Town Group, an association of town selectmen and others who meet monthly to discuss regional issues. The event was described by the introducer as a "debate," and Bill Becker was referred to several times as the "proponent" of TABOR. Geoff Herman of the MMA was referred to as the opponent. Mr. Becker did not deny that he was a proponent of TABOR. He himself twice referred to the event as a debate, and made references to anti-TABOR organizations as "the other side."

There was a significant amount of background information conveyed by Mr. Becker that did not refer to TABOR: *e.g.*, discussion of Maine's high personal income rates and health insurance premiums, and previous spending limits that were ineffective. There was also explanation of how TABOR would work, particularly the procedures municipalities could use to override the spending limits. The information provided by Becker and Herman was detailed and very educational. Mr. Becker did not expressly advocate for a "yes" vote on TABOR.

Some comments made by Mr. Becker certainly appeared to me as intended to promote or influence the TABOR initiative. He referred to TABOR in positive terms as an "answer" to high taxes and as a "solution". Mr. Becker linked TABOR to desirable economic results such as higher growth, and lower taxes and health care premiums. His comments overall conveyed a sense of urgency that called for collective action (e.g., "We've got to make it tougher [to raise taxes]" or "We want to draw young people, draw businesses into the state.")

I have listed below some examples of Mr. Becker's comments with underlining to draw your attention to the comments that were most promotional.

> So, one might ask what has brought us here. Why are we here <u>debating</u> the Taxpayer Bill of Rights? My organization, the Maine Heritage Policy Center, which I co-founded just about four years ago, wrote it as an <u>answer to a problem</u> that we saw and that Maine people have indicated time and time again: that our taxes our too high, and that

government spending at all levels has reached a point at which our taxpayers cannot foot the bill any longer. (beginning at 9:50)

In 2005, only two states saw a decline in economic activity. This was reported out by the Federal Reserve Bank of Boston just in June of 2005. One was hurricane-ravaged Louisiana. The other was the state of Maine. That's not acceptable to you and it's not acceptable to me. We've got to find a way to match our high quality of personal life that we have in the state with a high quality of economic life. So, part of the reason – part of the way to get to that – is by looking at government spending and our level taxation .... (10:43)

We have the highest percentage of our population on Medicaid under the age of 65 of any state in the nation: 21% of our population under the age of 65 is on Medicaid. Tennessee used to have that honor, until Democrat Governor Phil Bredesen decided the state could no longer afford it, and they forced a cut of a couple hundred thousand people off the Medicaid system. And that's not something that we necessarily need or want here in the state of Maine. But what we do want is affordable health insurance, and that is directly linked to the Taxpayer Bill of Rights. (13:15)

Just like businesses do every day – and many of you run businesses – you try to figure out what are the best practices that we can use in our businesses to enhance our productivity, to enhance our profit, to make the best place to live and to work and for our customers. That's really what the Taxpayer Bill of Rights is. (19:40)

It does make it tougher to raise taxes. Absolutely. But that's exactly the point. We've got the highest tax burden in the country. We've got to make it tougher. (22:52)

[Referring to reductions in tax rates promoted by governors in other states] Why did these people do this? It's because they said: "We're not competitive. We're competing against each other and we want to draw young people, draw businesses into our state." And that's what the Taxpayer Bill of Rights allows us to do. (25:20)

Again, we're faced with a situation where property tax collections in the state of Maine increased by nearly 30%. Our incomes only increased by 10%. That's a huge difference. So, is it going to be a little bit tougher to raise a tax or to increase spending? Absolutely. But the reality is: there is no other solution out there. The other side isn't offering a solution. The other side isn't saying: here's how we can address our tax burden. (1:10:25)

We released a report last week that said "Look, over the long haul – in the short term and the long haul – the Taxpayer Bill of Rights will put more money in Maine people's pockets and will increase the number of jobs in the state of Maine as a result of that. (1:22:43)

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RECEIVED
DEC 6 2006
COMMISSION ON GOVERNMENTAL ETHICS & ELECTION PRACTICES AUGUSTA, ME

December 6, 2006

BY FACSIMILE, ELECTRONIC & FIRST CLASS MAIL
Maine Commission on Governmental Ethics & Election Practices
135 State House Station
Augusta, Maine 04333

**RE: Carl Lindemann/ Maine Heritage Policy Center**

To Members of the Commission:

I submit this letter of behalf of my client, Carl Lindemann, in response to the letter submitted by counsel for the Maine Heritage Policy Center on December 4, 2006.

At the outset, Mr. Lindemann simply wishes to note that the MHPC, in its December 4th submission to the Commission, has repeated the same material false statement it has made numerous times before: "MHPC has not received any funds from any source specifically to promote, initiate, or influence the TABOR initiative." The MHPC's refusal to accept any responsibility – after it was caught receiving and accepting funds specifically for TABOR, and lying to the Commission – can only be explained by the general philosophy of the organization itself, which is generally hostile toward, and contemptuous of, both government and government regulation.

## I. Constitutional Issues Raised by MHPC

That same contempt and hostility is reflected in the principal approach taken by MHPC in its December 4, 2006 submission, which is to deliver a not-so-subtle warning to the Commission regarding its constitutional right to free speech. In a roundabout way, MHPC suggests that the Commission's ability to enforce the law in this case may be severely limited and constrained by the First Amendment rights of the MHPC. Mr. Lindemann interprets this approach primarily as an effort to distract attention away from the fundamental issues in this case, which is whether the MHPC broke the law with regard to campaign finance and reporting, and whether MHPC intentionally deceived the Commission in the context of its investigation. That said, Mr. Lindemann wishes to address the constitutional arguments raised by MHPC as a shield against the full enforcement of the law in this case.

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First, it must be noted that ***none*** of the statutory provisions to be enforced and interpreted by the Commission in this case – 21-A M.R.S.A. § 1001 et seq. and 21-A M.R.S.A. § 1052 et seq. – place any limitations whatsoever on the amount that a political action committee or other organization can receive or spend in promoting, or advocating the defeat of, a ballot initiative. The only contribution limitation set forth in these statutory provisions is set forth in 21-A M.R.S.A. § 1056, which provides that a political action committee cannot contribute more than $500 in support of the candidacy of a gubernatorial candidate or more than $250.00 in support of any other candidate for office. The statutory provisions to be interpreted and enforced by the Commission in this case relate solely to: (1) various reporting and registration requirements imposed upon persons and organizations that receive or expend funds in support of a ballot initiative; and (2) prohibitions against material false statements to the Commission.

A quick review of the cases cited by the MHPC reveals how totally unavailing they are as a defense. The principal holdings of *Buckley v. Valeo,* 424 U.S. 1, 96 S.Ct. 612 (1976), can be summarized as follows: (1) statutory limits set forth in the Federal Election Campaign Act of 1971 on the amount of contributions from third parties and organizations to the campaign of a candidate for office were upheld as constitutional; (2) statutory limits set forth in that Act on the amount that a candidate could spend on his or her own campaign were found to be unconstitutional; (3) overall limits set forth in that Act on the total amount that could be spent by a candidate for public office were held to be unconstitutional; and (4) the recordkeeping, reporting and disclosure provisions of the Federal Election Campaign Act of 1971 were upheld as constitutional, on the ground that those provisions were substantially related to important governmental interests. The first three holdings summarized above provide no basis for challenging the registration and reporting requirements set forth in 21-A M.R.S.A. § 1052 et seq., or the Commission's proper role in investigating and enforcing the statutory provisions set forth therein pursuant to 21-A M.R.S.A. §1001 et seq. Indeed, the fourth holding of Buckley referenced above clearly stands for the proposition that the State of Maine's registration, reporting and disclosure requirements at issue in the current case are plainly constitutional. As the High Court noted in Buckley, such provisions provide the public with essential information "as to where political campaign money comes from and how it is spent" in order to aid voters in evaluating the persons and organizations promoting a particular candidate for office, and to "deter actual corruption and avoid the appearance of corruption by exposing large contributions and expenditures to the light of publicity." Buckley, 525 U.S. at 66-67, 119 S.Ct. at 657. *See also Buckley v. American Constitutional Law Foundation*, 525 U.S. 182, 202, 119 S.Ct. 636, 647 (applying same principle and holding to ballot initiatives).

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In *First National Bank of Boston v. Bellotti*, 435 U.S. 765, 98 S.Ct. 1407 (1978), the US Supreme Court struck down a Massachusetts criminal statute that prohibited corporations from making contributions or expenditures to influence the outcome of a vote on any question that did not materially affect the property, business or assets of the corporation, finding, *inter alia*, that corporation are "persons" for purposes of the First Amendment of the Constitution. Because the case before the Commission does not involve any attempt to limit the amount that MHPC can receive or spend in support of, or in opposition to, a ballot initiative, *Bellotti* is wholly unhelpful to MHPC's defense, and provides no support whatsoever for MHPC's insistence that the First Amendment constrains the Commissions ability to enforce Maine campaign finance and reporting laws with regard to MHPC's activities.

In *Citizens Against Rent Control v. City of Berkeley*, 454 U.S. 290, 102 S.Ct. 434 (1981), the High Court struck down a local ordinance that limited the total amount that a private association could spend to promote or oppose a ballot measure. Because the case before the Commission does not involve any attempt to limit the amount that MHPC can spend in support of, or in opposition to, a ballot initiative, this case is wholly inapposite and unsupportive of MHPC's cause.

In *McIntyre v. Ohio Elections Commission*, 514 U.S. 334, 347, 115 S.Ct. 1511, 1519 (1995), the U.S. Supreme Court did note that "the principles enunciated in *Buckley* extend equally to issues-based elections." However, as noted above, none of the holdings in Buckley have any applicability to the current case, in which the Commission is seeking to enforce the registration and reporting requirements for organizations who receive or expend funds to promote the passage of, or the defeat of, a ballot measure, and is <u>not</u> seeking to enforce any limitations on the amount that an organization can receive or expend for that purpose.

In *Buckley v. American Constitutional Law Foundation*, 525 U.S. 182, 119 S.Ct. 636, the High Court held as follows: (1) Colorado statute requiring that petition circulators for a ballot initiative be registered voters violated free speech rights under the First Amendment; (2) Colorado statute requiring that petition circulators for a ballot initiative wear identification badge bearing the circulator's name violated free speech rights under the First Amendment; (3) Colorado statute requiring that proponents of a ballot initiative report the names and addresses of all paid petition circulators and the amount paid to each circulator violated First Amendment free speech guarantee; and (4) provisions of the statute requiring an organization to disclose the names of initiative sponsors, and the amounts spent gathering support for their initiatives, was held to be constitutional as being substantially related to an important governmental interests, namely, to provide information to the electorate "as to where political campaign money comes from and how it is spent" and to "deter actual corruption and avoid the appearance

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of corruption by exposing large contributions and expenditures to the light of publicity." *Id.*, 525 U.S. at 202, 119 S.Ct. at 647 (*citing Buckley v. Valeo, supra*)

In *Richey v. Tyson*, 120 F.Supp. 2d 1298, 1319 (D. Ala.), the U.S. District Court for the District of Alabama held that rejected the petitioner's claim that it was constitutionally exempt from regulation by Alabama's Fair Campaign Practices Act, finding that the laws requiring the disclosure of contributions and expenditures made for issue advocacy were justified by the compelling state interest in providing the electorate with information. In reaching that decision, the court interpreted the disclosure and reporting requirements of the statute as being limited to contributions and expenditures made for the purpose of "express advocacy." *Id.* at 1318-1321. The court in that case also *rejected* petitioner's claim that the Fair Campaign Practices Act was unconstitutional on the ground that it discouraged organizations from speech that would trigger political committee status. *Id.* at 1324-1325.

The basic holdings of *Richey* are therefore detrimental, not helpful, to the cause of MHPC in this case. Because the allegations at issue here are that MHPC has received and spent funds for the purpose of expressly advocating for TABOR and its passage, the Commission's regulation of that activity under Maine's reporting and disclosure statutes passes constitutional muster under any of the statutes cited by MHPC, to the extent they are relevant.

Finally, with regard to the constitutional position now taken by MHPC, one would have expected the MHPC to assert that position as a defense to the Commission's initial attempts to get information from MHPC in the context of its investigation of Mr. Lindemann's complaint. MHPC might have even sought to obtain an injunction against the Commission in a court of law and a declaratory ruling that the statutes as applied to MHPC are unconstitutional. Instead, MHPC first attempted to short-circuit the investigation by lying to the Commission, hoping that the Commission would rely upon their false statements in deciding not to pursue the matter. That strategy almost worked. Now that new evidence has been presented, and its strategy of deceit has backfired, MPHC seeks refuge in the Constitution to avoid the rightful consequences of its conduct.

## II. <u>MHPC's Response on Critical Factual Issues</u>

As noted above, Mr. Lindemann is simply stunned that MHPC would repeat the same false statement it made to the Commission in its letter dated October 26 and at the first meeting of the Commission on October 31 – that "MHPC has not received any funds from any source specifically to promote, initiate, or influence the TABOR initiative" – notwithstanding the new evidence that directly contradicts that statement. Maine Heritage Policy Center's response shows contempt for the Ethics Commission by brazenly

# LAW OFFICE OF JOHN H. BRANSON, P.A.



repeating the same false statements it made in its submission dated October 26 and during the October 31st meeting before the Commission. It remains unmoved by the new evidence that demonstrates the knowingly false and deceptive nature of those statements. It is what you might expect from an organization driven by an anti-government and anti-regulation philosophy. By its actions and omissions throughout this investigation, the MHPC has demonstrated total disrespect for the Commission's legitimate and necessary role in enforcing the laws of this State in order to ensure transparency in our political process.

Sincerely,

John H. Branson

cc: Carl Lindemann
Phyllis Gardner, Esq.
Daniel I. Billings, Esq.
Jonathan Crasnick

# MARDEN, DUBORD, BERNIER & STEVENS

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(RETIRED)

December 4, 2006

Jonathan Wayne, Executive Director
State of Maine Commission on Governmental Ethics & Election Practices
135 State House Station
Augusta, Maine 04333-0135

**RE: Maine Heritage Policy Center**

Dear Jonathan:

I am writing in response to your November 28th letter seeking more information from the Maine Heritage Policy Center ("MHPC") due to new allegations raised by Carl Lindemann. While I am happy to answer the questions raised in your letter, I need to first address the legal standard that the Commission must apply when considering the questions that have been raised concerning MHPC's activities related to the Maine Taxpayer Bill of Rights. Much of the difficulty in assessing the concerns that have been raised about MHPC has been the uncertainty that has resulted from the broad language contained in 21-A M.R.S.A. §1056-B and the court decisions indicating only a much narrower approach to regulation of speech regarding ballot measures can sustain constitutional scrutiny. Before considering the complaint against MHPC, the Commission should first decide how it will apply Maine law to all persons and entities engaging in speech regarding ballot measures in light of the court decisions in this area.

**Constitutional Standards**

21-A M.R.S.A. §1056-B requires that "[a]ny person not defined as a political committee who solicits and receives contributions or makes expenditures, other than by contribution to a political action committee, aggregating in excess of $1,500 for the purpose of initiating, promoting, defeating or influencing in any way a ballot question must file a report with the commission." The statute further requires that the report filed "contain an itemized account of each contribution received and expenditure made aggregating in excess of $100 in any election; the date of each contribution; the date and purpose of each expenditure; and the name of each contributor, payee or creditor." The statute includes very broad language, which if not applied narrowly, would, for the reasons explained below, not withstand a constitutional challenge.

In Buckley v. Valeo, 424 U.S. 1, 96 S.Ct. 612, 46 L.Ed.2d 659 (1976), the Supreme Court considered wide-ranging challenges to the Federal Election Campaigns Act ("FECA"). The Court described "[d]iscussion of public issues and debate on the qualifications of candidates [as] integral to the operation of the system of government established by our Constitution [to which] [t]he First Amendment affords the broadest protection." Id. at 14, 96 S.Ct. 612. The Court then recognized a "distinction between discussion of issues and candidates and advocacy of election or defeat of candidates." Id. at 42, 96 S.Ct. 612. To avoid problems of vagueness and overbreadth that would otherwise be presented by certain of FECA's provisions, the Court construed them to reach only communications "that expressly advocate the election or defeat of a clearly defined candidate." Id. at 80, 96 S.Ct. 612; See also Id. at 43-44, 96 S.Ct. 612. The Court restricted express advocacy, in turn, to communications utilizing imperative terms such as "vote for [or against]," "support," "defeat" or "reject." Id. at 44 n. 52, 96 S.Ct. 612.

While Buckley dealt with candidate elections, only in later cases did the Supreme Court deal with ballot measures that did not involve candidates for office. An examination of the Supreme Court's jurisprudence in the area is useful to the issues currently before the Commission.

In First National Bank of Boston v. Bellotti, 435 U.S. 765, 790, 98 S.Ct. 1407, 55 L.Ed.2d 707 (1978), the Supreme Court recognized that votes on ballot measures involve less risk of corruption that would justify state regulation than do candidate elections where there is concern to avoid a quid pro quo arrangement between a candidate and the contributor. "Referenda are held on issues, not candidates for public office. The risk of corruption perceived in cases involving candidate elections simply is not present in a popular vote on a public issue." Id. at 790, 98 S.Ct. 1407 (citations and footnote omitted).

In Citizens Against Rent Control v. City of Berkeley, 454 U.S. 290, 102 S.Ct. 434, 70 L.Ed.2d 492 (1981), the Supreme Court struck down state limitations on money contributions to political committees supporting or opposing a ballot measure. In doing so, the Court observed that "[t]he integrity of the political system will be adequately protected if contributors are identified in a public filing revealing the amounts contributed." Id. at 299-300, 102 S.Ct. 434.

In McIntyre v. Ohio Elections Comm'n, 514 U.S. 334, 347, 115 S.Ct. 1511, 131 L.Ed.2d 426 (1995), the Supreme Court held that "the principles enunciated in Buckley extend equally to issues-based elections" and made clear that exacting scrutiny applies to any state regulation of advocacy in noncandidate elections like referenda.

The Supreme Court's most recent pronouncement in this area of noncandidate elections is Buckley v. American Constitutional Law Foundation, 525 U.S. 182, 119 S.Ct. 636, 142 L.Ed.2d 599 (1999) ("Buckley II"). That decision struck down a number of Colorado regulations concerning the state's petition process. In doing so, however, the Supreme Court said that it was legitimate for a state to require sponsors of ballot initiatives to disclose to the State the names of proponents of the petition and the amount being spent. Id. at 647-48. The Court approvingly identified that requirement as a way to inform voters of "the source and amount of money spent by proponents to get a measure on the ballot." Id. at 647.

Though the Supreme Court cases in this area do not directly address whether a state can constitutionally require disclosure of contributions and expenditures that are spent on speech that does not expressly advocate the passage or defeat of a referendum question, the lower courts that have considered the issue have concluded that state regulation must be limited to express advocacy. In Richey v. Tyson, 120 F. Supp. 2d 1298, 1319 (D. Alabama 2000), the District Court held that the U.S. Constitution required that Alabama's Fair Campaign Practices Act, which contained broad language such as is contained in Maine law, must be read narrowly to confine the scope of its disclosure requirements to contributions and expenditures for the purpose of expressly advocating the passage or defeat of a referendum question. In California Pro-Life Council, Inc. v. Getman, 328 F.3d 1088, 1098-99 (9th Cir. 2003), the Court of Appeals held that a state court ruling limiting state regulation of candidate related ads to those containing express advocacy also applied to speech related to referendum questions.

A review of these cases leads to the conclusion that state regulation of speech regarding referendum questions is only constitutional if the regulation is limited to speech which expressly advocates the passage or defeat of a referendum question. With these cases in mind, the Commission should read Maine law narrowly as to only require reporting of contributions and expenditures which are used for speech which directly advocates the passage or defeat of a referendum question. Any other reading would impermissibly interfere with speech which is entitled to the broadest First Amendment protection.

It should also be noted that none of the policy concerns that continue to be debated regarding what expenditures should trigger matching funds to candidate under Maine's Clean Elections Act are relevant to this issue. There are no matching funds at stake that can be triggered in referendum campaigns and there are no contribution limits which are applicable to such campaigns.

If Maine law is read narrowly, as required by the U.S. Constitution, no reporting of any kind should be required by MHPC. A great deal of material concerning MHPC has been submitted to the Commission. To date, I have seen nothing which would indicate that MHPC spent any funds to expressly advocate the passage of the Maine Taxpayer Bill of Rights.

**Responses to Questions in November 28th letter**

In your letter, you asked four questions. Each question is addressed below:

*(1) Has the MHPC received any funds from any source specifically to promote, initiate, or influence the TABOR initiative? If so, please state the total amount received. If an exact amount is not available by December 4, please provide an estimated amount for the time being.*

MHPC has not received any funds from any source specifically to promote, initiate, or influence the TABOR initiative. All contributions received are used to support the overall operations and general mission of MHPC. No funds were specifically segregated or dedicated to activities related to the Maine Taxpayers Bill of Rights. No activities undertaken by MHPC related to the Maine Taxpayer Bill of Rights were contingent upon or the result of any funds received from any source.

As a result of this question, MHPC staff has reviewed all contributions received by the Center this year. Four contributions, including the contribution from Mr. Briney, were made along with correspondence or references on checks mentioning TABOR or MHPC's work related to TABOR. These four contributions total \$975, less than the \$1500 threshold requiring reporting under Maine law. It should be noted that these contributions were not treated any differently than any other contributions to MHPC and the funds were not dedicated to any activities related to the Maine Taxpayers Bill of Rights. It should be no surprise that some contributors may mention MHPC's TABOR related work, based on MHPC's activities as detailed in my letter of October 26th.

There were also two other contributions received where TABOR was referenced along with the contributions. In both cases, MHPC staff spoke to the donor and made sure the donor understood that contributions to MHPC would not be used as part of the campaign to pass TABOR and that all contributions received are used to support the overall operations and general mission of MHPC.

In October, MHPC received a \$3,000 contribution with "TABOR" in the memo. MHPC staff knew the donor personally, and communicated with the donor regarding the donor's intent. MHPC staff explained to the donor that MHPC's role was limited to research and education and that a separate, independent organization was running the initiative campaign and purchasing media, etc. Based on these discussions, the contributor asked that \$2500 be refunded, with \$500 retained by MHPC for their general operating research and analysis work. MHPC complied with the request.

Additionally, one other \$1,000 unsolicited donation was received in 2006 with a personal check that did not reference TABOR. However, on the inside of the donation envelope, a note "For TABOR!" was handwritten. MHPC staff called the donor and spoke with the donor about the nature of MHPC's work. It is the MHPC staff's belief that the donor was aware that the organization's work was not political, nor engaged in express advocacy – but rather that the donor's contribution was for general support of MHPC's role in strictly research and education efforts

(2) *Has the MHPC solicited any contributions or other funds in connection with the TABOR initiative?*

other letters

No. However, ~~MHPC~~ has mentioned its TABOR related work in its general fundraising activities. For example, the enclosed fundraising letter, marked as Exhibit A, mentions MHPC's work related to TABOR. It should be noted that though the letter is dated October 18th, it did not go out until after November 7th and no contributions were received as a result of the letter before November 7th. Also, the letter ~~was only sent to existing MHPC~~ members.

(3) *Is the November 6 letter from Bill Becker a form letter used by the MHPC to thank donors for contributions or other funds given to promote TABOR?*

No. Enclosed, marked as Exhibit B, is a copy of the form letter used by MHPC to thank contributors. As you can see, changes were made to the regular form letter to recognize Mr. Briney's expressed interest in MHPC's work related to TABOR. It is MHPC's practice to alter the general form letter as a result of areas of interest mentioned by the donor.

(4) *Was part of MHPC's mission in 2006 to promote TABOR, as stated in Mr. Becker's November 6 letter?*

The language contained in the November 6 letter was a result of changing the usual form letter which states "we will use [your donation] to advance our mission of promoting free markets and conservative public policy solutions that will benefit all people of Maine."

MHPC's mission, as stated on its application for 501(c)(3) status is:

*The Maine Heritage Policy Center is a research and educational organization whose mission is to formulate and promote conservative public policies based on the principles of free enterprise; limited, constitutional government; individual freedom; and traditional American values--all for the purpose of providing public policy solutions that benefit the people of Maine.*

*MHPC's staff pursues this mission by undertaking accurate and timely research and marketing these findings to its primary audience: the Maine Legislature, nonpartisan Legislative staff, the executive branch, the state's media, and the broad policy community. MHPC's products include publications, articles, conferences, and policy briefings.*

*The Maine Heritage Policy Center researches and formulates innovative and proven conservative public policy solutions for Maine in three general areas:*

*Economy/Taxation*
*Education*
*Health Care*

*Governed by an independent Board of Directors, The Maine Heritage Policy Center is a nonprofit, nonpartisan, tax-exempt organization. MHPC relies on the generous support from individuals, corporations, and foundations, and does not accept government funds or perform contract work.*

A more abbreviated version of MHPC's mission appears on its publications:

*The Maine Heritage Policy Center is a 501 (c) 3 nonprofit, nonpartisan research and educational organization based in Portland, Maine. The Center formulates and promotes free market, conservative public policies in the areas*

> *of economic growth, fiscal matters, health care, and education – providing solutions that will benefit all the people of Maine. Contributions to MHPC are tax deductible to the extent allowed by law.*

MHPC believes that its work related to the Maine Taxpayer Bill of Rights, which was detailed in my October 26th letter and in testimony to the Commission, is in keeping with this mission.

**Allegations contained in Carl Lindemann's November 27th letter**

Mr. Lindemann's allegations of "criminality," "willful deceit," and "material false statements" are not worthy of a response. The alleged "new evidence" provided by Mr. Lindemann is dated after my letter of October 26th and after the October 31st Commission Meeting. Therefore, nothing contained in the documents is relevant to the facts as they existed on October 26th or October 31st. More importantly, for the reasons stated above, the documents do not substantively contradict the position previously advanced by MHPC.

Mr. Lindemann's complaints to the Commission are just one part of his long running campaign against MHPC. Previously, he has filed complaints against MHPC with the Internal Revenue Service which were dismissed. His more recent actions, which include what appears to be an attempt to entrap MHPC into accepting what he believes is an illegal contribution and written attacks against me, Bill Becker, Commission staff, and members of the Commission, go well beyond what should be considered acceptable behavior by someone appearing before the Commission. A good faith disagreement on the meaning of the law should not result in such personal attacks as part of a proceeding before a regulatory board. The Commission should also consider what could result if it takes action based one party's apparent attempt to lure an opposing party into what the first party sees as a campaign finance violation.

I will be in attendance at the Commission's December 12th meeting, along with MHPC President and Chief Executive Officer Bill Becker. If I can be of assistance by providing additional information or answering additional questions before the meeting, please let me know.

Very truly yours,

Daniel I. Billings
e-mail: dbillings@gwi.net

EXHIBIT
A

October 18, 2006

Dear :

The Maine Heritage Policy Center continues to educate Maine people on the value of a strong economy and the need for fundamental reforms in the way we operate our state. In addition to authoring THE TAXPAYER BILL OF RIGHTS, we've completed our latest publication, the *Maine Economic Atlas*. This comprehensive book provides an objective look at Maine at the municipal level, providing lawmakers, schools and the media with a tool with which to make informed policy decisions. The Atlas provides statistics on demographics, education, economics, health care and taxation and it's available for purchase by calling our office at 207-321-2550 or on our Web site at www.mainepolicy.org.

As the author of THE TAXPAYER BILL OF RIGHTS, we believe that this initiative provides a road map to jump-start Maine's economy. With only a few weeks until the election, we are in a fight for Maine's economic life. As you are aware, Maine has the highest property taxes and the highest state and local tax burden in the country. Our economy continues to struggle. In 2005, Maine was just one of two states to see a decline in economic activity, as reported by the Federal Reserve Bank of Boston. Louisiana, which was ravaged by hurricane Katrina, was the only other state to see a decline. It is more important than ever to educate Maine citizens about the challenges we currently face.

We understand that the economic pie is shrinking. A large part of the problem has been Maine's highest-in-the-nation tax burden, driven by out-of-control government spending. One way to address that problem is through an effective "Tax-and-Expenditure Limit" such as Maine's proposed TAXPAYER BILL OF RIGHTS. Such responsible public policy encourages Maine businesses to remain in the state and grow, thus creating more Maine jobs and higher incomes for Maine workers. With Maine's per capita tax burden growing 50% faster than the rate of inflation, we must act now and work to stop Maine's spending frenzy. Since January 2003, government jobs have grow at more than twice the rate of private sector jobs. This is not an investment in Maine's future. MHPC is digging out the facts every day and working hard to promote responsible public policies based on facts and evidence, not emotions, and **we need your support.**

Maine has seen a decline of forty thousand school children in forty years – this is an alarming and startling figure. THE TAXPAYER BILL OF RIGHTS addresses this with reasonable increases in local education spending. By creating more jobs and attracting people to the state, we can change the fact that we have the second-lowest birth rate in the country. This will reverse the decline of school enrollment, thus strengthening our schools.

In order to be successful, we are asking for your financial investment. Your tax-deductible contribution can be made be returning the enclosed donor envelope with a check or credit card information. Or, simply go online to our Web site at www.mainepolicy.org and click on "Donate Online" to make a secure donation via credit card. Please consider a gift to MHPC today!

THE TAXPAYER BILL OF RIGHTS is the only public policy in front of Maine voters or our legislators that is guaranteed to reduce Maine's tax burden and ensure that government does not grow faster than the peoples' ability to pay. It is a reasonable solution for Maine citizens and I thank you for being part of the solution in helping to solve Maine's economic challenges and for your ongoing investment in Maine's future.

Please find enclosed two new Maine Heritage Policy Center publications and an editorial on how the media has grasped the *Maine Economic Atlas*. I hope that you enjoy reading this material and I welcome your feedback at wbecker@mainepolicy.org. Thank you again.

Sincerely,

Bill Becker

President and Chief Executive Officer

EXHIBIT
B

November 29, 2006

Name
Address
City, State Zip

Dear Name,

On behalf of the Board of Directors, please accept my sincere thanks for your very generous contribution of $0.00 to The Maine Heritage Policy Center. We are extremely grateful for this donation, and will use it to advance our mission of promoting free market and conservative public policy solutions that will benefit all people of Maine.

Maine remains in a precarious position today. The state continues to run significant budget shortfalls resulting in well-publicized debates on what program or service must be cut. Our state and local tax burden is the highest in the nation. Our highest marginal income tax rate remains one of the highest in the nation with one of the lowest thresholds. Our Medicaid program is one of the largest, fastest growing, and most costly Medicaid programs in the nation. Our business-friendliness is ranked near the bottom of all states, and our economic freedom index is similarly poor. All this is additionally burdened by the Governor's questionable and unsustainable Dirigo Health initiative.

Yet, there is another way for Maine. Our vision at The Maine Heritage Policy Center is that Maine becomes a state that embraces the free markets by implementing public policies that help, rather than hinder, job creation and retention. Lowering the overwhelming state tax burden, putting a spending cap on all levels of government spending, promoting competition in the health insurance market, and putting the patient, rather than the government, back in charge of their health care choices – these are each examples of the policies that The Maine Heritage Policy Center researches, analyzes, and promotes.

Our long-term goal is to dramatically alter Maine's future through a paradigm shift that will move the State away from its 30-year drift toward a culture of dependence. Our efforts are to redirect Maine's public policies to create a culture of entrepreneurship and economic growth. Immediately lowering Maine's overall tax burden and excessive health insurance premiums are both immediate goals of the Center. Until we are seen as an equal to other states, Maine will never be able to attract real and sustained business development and economic growth.

Thank you for joining this effort to help our leaders understand the need for genuine reforms in the way Maine operates – and for providing them with viable and proven policy solutions that will change Maine's future to one of opportunity and promise.

Please do not hesitate to contact me at 207-321-2550 with any questions or suggestions. Thank you again for your support – I look forward to seeing you at a Maine Heritage event very soon.

Yours truly,

Bill Becker
President and Chief Executive Officer

STATE OF MAINE
COMMISSION ON GOVERNMENTAL ETHICS
AND ELECTION PRACTICES
135 STATE HOUSE STATION
AUGUSTA, MAINE
04333-0135

November 28, 2006

Daniel I. Billings, Esq.
Marden, Dubord, Bernier & Stevens
PO Box 708
Waterville, ME 04901-0708

Dear Mr. Billings:

This is to request further information from the Maine Heritage Policy Center in response to Carl Lindemann's submission of yesterday. Since the submission raises new factual issues, please respond no later than Monday, December 4. If it is impossible to respond completely by that date, please let me know.

In your October 26 letter to the Ethics Commission, you stated:

> The Maine Heritage Policy Center does not solicit or receive funds that are predicated on the Center's taking a position on any issue. All donations received are used to support the overall operations and general mission of the Center. ... It has not solicited or received any contributions to influence the outcome of a referendum campaign.

As you know, the Commission staff gave these statements considerable weight in formulating a recommendation to the Commission for the October 31 meeting. Mr. Lindemann has submitted documents relating to a November 1 contribution to the MHPC by Mr. David A. Briney that includes a November 6, 2006 letter from Bill Becker appearing to be a form letter used to thank donors for contributions related to TABOR.

While Mr. Lindemann's documents do not directly contradict the statements in your October 26 letter and Mr. Becker's October 31 testimony, they do – without further explanation – seem at odds:

- The existence of an apparent form "thank you" letter suggests that the MHPC may have received contributions or other funds specifically to promote TABOR *before* November 6.

- The November 6 form letter refers explicitly to "our mission of promoting The Taxpayer Bill of Rights ...." This suggests that the MHPC's activities include "promoting" or "influencing" TABOR and are not limited purely to research or education.

- In the November 6 form letter, the MHPC stated that it will "use [the contribution] to advance our mission of promoting The Taxpayer Bill Of Rights ...." If the MHPC did use Mr. Briney's contribution specifically to promote TABOR, such a use would seem inconsistent with your statement that "[a]ll donations received are used to support the overall operations and general mission of the Center."

In light of these concerns, it seems reasonable for the Commission to request further information to confirm that the MHPC's previous statements to the Commission have been accurate and complete. Please make sure your December 4 response includes the following information:

(1) Has the MHPC *received* any funds from any source specifically to promote, initiate, or influence the TABOR initiative? If so, please state the total amount received. If an exact amount is not available by December 4, please provide an estimated amount for the time being.

(2) Has the MHPC *solicited* any contributions or other funds in connection with the TABOR initiative?

(3) Is the November 6 letter from Bill Becker a form letter used by the MHPC to thank donors for contributions or other funds given to promote TABOR?

(4) Was part of the MHPC's mission in 2006 to promote TABOR, as stated in Mr. Becker's November 6 letter?

In responding to these questions, please do not confine your answers to funds solicited or received only for express advocacy. Please take into account funds solicited or received to initiate, promote, or influence TABOR in any way (as required to be reported under §1056). Please telephone me at 287-4179 if you have any questions.

Sincerely,

Jonathan Wayne
Executive Director

cc: Carl Lindemann
Jonathan Crasnick
Phyllis Gardiner, Esq.

**Carl Lindemann**

P.O. Box 2228
Cedar Park, Texas 78630

Phone 512-528-1516
Email Carl@cyberscene.com

RECEIVED
NOV 28 2006
COMMISSION ON GOVERNMENTAL ETHICS & ELECTION PRACTICES-AUGUSTA, ME

November 27, 2006

**BY ELECTRONIC AND OVERNIGHT MAIL**
Maine Commission on Governmental Ethics & Election Practices
135 State House Station
Augusta, Maine 04333

RE: Maine Heritage Policy Center

To the Members of the Commission:

First, I want to once again thank the Commission and its staff for allowing me the opportunity to bring to its attention my complaint and request for investigation about the Maine Heritage Policy Center (hereinafter "MHPC") has solicited contributions and/or made expenditures to promote the passage of the Taxpayer Bill of Rights in Maine (hereinafter "TABOR"). As you know, the nonprofit organization, Democracy Maine, has joined in my request for an investigation of this matter and has also submitted evidence and may also be submitting additional materials for the upcoming Commission meeting to consider these matters on December 12.

Now that the pre-election time pressures have passed, and opportunities have been afforded for the introduction of new evidence, I fully expect that the Commission will address the substance of my complaint in a manner consistent with the mission and duties established for the Commission by the Maine Legislature. I trust that the Commission will act quickly to: (1) investigate and ascertain the full extent of MHPC's manifest violations of Maine election law (including whether the MHPC behaved like a Political Action Committee in 2006 without complying with any of the state laws governing PAC's), and (2) fashion a remedy that properly addresses any and all violations and protects the integrity of the democratic process in Maine for the benefit of all its citizens, not just with regard to this past election but future elections as well.

**Need to Reconsider the Staff Recommendation**

In its October 30, 2006 Memorandum and initial recommendations to Commission Members, the Commission staff and its counsel requested the opportunity to conduct additional research on the substance of my complaint after the election. Although I did not agree that deferring these important matters until after the election was in the best interest of the people of Maine or the integrity of Maine's democratic electoral process, I have indicated my steadfast interest in following through on this matter until justice is done, both procedurally and substantively. It cannot be denied that there is now sufficient time for a full and thorough investigation.

As evidenced by the staff's October 30th Memorandum, its initial conclusion that MHPC is not a PAC was based primarily on the unsworn and unsubstantiated statements of its legal counsel, Daniel I. Billings of Marden, Dubord, Bernier & Stevens. Mr. Billings stated the status of the PAC question this way in his written response to my complaint:

> The Maine Heritage Policy Center does not solicit or receive funds that are predicated on the Center's taking a position on any issue. All donations received are used to support the overall operations and general mission of the Center . . . In short, the Maine Heritage Policy Center is engaged in policy research and analysis, not political campaigning.
>
> ***
>
> Its major purpose is not advocating the passage of a ballot question. It has not solicited or received any contributions to influence the outcome of a referendum campaign.

See October 26, 2006 Letter from Daniel I. Billings to Executive Director Jonathan Wayne at p. 3.

In choosing to accept at face value the statement of MHPC counsel, the staff appeared to overlook a core element of the Commission's mission, which is to "investigate and advise on apparent violations of ethical standards". (Mission Statement of the Maine Commission on Governmental Ethics & Election Practices). In the arena of campaign reports and finances, the Commission's investigative mission is codified in 21-A M.R.S.A. § 1003. Based upon extensive circumstantial evidence of MHPC's violation of Maine laws governing campaign reports and finances, I complained to the Commission and requested an immediate investigation pursuant to 21-A M.R.S.A. § 1003(2). It was my sincere expectation that the Commission would not simply rely upon the unsworn and conclusory statements of its counsel.

Consistent with the staff's conclusory treatment of my initial complaint, the session before the Commission that followed on October 31st quickly moved past my core concerns over MHPC's conduct as a PAC. In effect, MHPC was afforded a second opportunity to short-circuit an investigation into its finances through statements and denials communicated by its legal counsel. During that session, MHPC's attorney underscored and expanded on his written statement as follows (italics added):

> I agree with the staff memo…what this comes down to is whether or not MHPC needs to file a 1056B report *and if MHPC has not specifically solicited or accepted any contributions to support the Taxpayer Bill of Rights.* So, as a result, even if Maine Heritage Policy Center had to file a 1056B report, that would only show their expenditures. *It would not show any contributions because they*

*haven't accepted any contributions related to the Taxpayer Bill of Rights.*

So Mr. Lindemann's concern about funding which is something that he was raising with the IRS in regards to Maine Heritage Policy Center long before this issue, that's not going to be addressed by the issue before you here today *assuming you agree with the staff that MHPC is not a PAC*...So the issue about where the money's coming from that may be a legitimate issue, that may be a policy issue. But that's really not before us here today *unless someone has information which no one's come forward with yet to show that MHPC had been soliciting or accepting contributions specifically for the Taxpayer Bill of Rights.*

Oral statement of Attorney Daniel I. Billings to the Commission at October 31, 2006 Session.

**Follow-Up to October 31st Session**

After the October 31st session, I contacted Executive Director Wayne via e-mail on November 3rd to see how I might best proceed. This is the question I posed to him:

> I am convinced that Becker's claims that they have neither solicited nor received funds for TABOR is inaccurate. But how to prove it? I am sure that using the broad investigatory powers the Commission has could prove this quickly....so what do I have to deliver to trigger such an investigation? What evidence would be sufficient to show that these claims are inaccurate? Tell me to come back with the proverbial witch's broom...and I'll see what I can do.

The response of Executive Director Wayne was consistent with MHPC's own statement to the Commission about the standard for triggering an investigation into its financial records:

> Given the MHPC's clear statement that it has received no contributions to influence TABOR, I believe there would have to be some evidence to the contrary for there to be a foundation to require records of its revenues.

My initial reaction continued to be one of frustration, concern and amazement. The extensive circumstantial evidence presented by me and by Democracy Maine should have been sufficient to trigger an investigation into the revenues and expenditures of the MHPC. It is the Commission's role to uncover direct evidence through its investigatory powers that are not available to private parties other than the MHPC. The Commission is charged to investigate potential violations – not just ones that have already been proven.

It is ironic that I should appeal to MHPC's founder, Ronald Trowbridge, who himself has indicated a great appreciation for the value of circumstantial evidence. Much as Mr. Becker developed his public persona during the TABOR campaign by showing his fondness for a statement attributed to Albert Einstein, Mr. Trowbridge has a similar affinity for an observation that he attributes to former U.S. Chief Justice, Warren Burger:

> "Circumstantial evidence is the most damaging evidence there is, because it's the most difficult to arrange."

Notwithstanding the level of my frustration and disbelief about what was being demanded to trigger an investigation in this case, I commenced a search to retrieve the "witch's broom" that I was told would be required to trigger the Commission's exercise of its investigative function and powers.

**New Evidence**

Included with this submission is direct evidence of wrongdoing that both Executive Director Wayne and the MHPC indicated would suffice to trigger an investigation into the MHPC's finances. I submit for your review documents, attached hereto, demonstrating that MHPC has, in Mr. Billing's words, accepted "contributions specifically for the Taxpayer Bill of Rights."

Let us review these materials closely.

Document 1 shows the postal envelope and check mailed from outside of Maine to MHPC dated November 1, 2006. It is addressed to Mr. Becker with the added notation "Donations/TABOR". The note section of the check states that the contribution is "For TABOR Support".

Document 2 is the cover letter send with the donation. It states:

> "I found out about your work for passing the Taxpayer Bill of Rights in Maine…and want to give my support to it".

Documents 3 & 4 are Mr. Becker's replies, dated November 6, 2006 – six days after the Commission meeting and the day before the TABOR vote. One is a handwritten note from Mr. Becker that demonstrates his personal and direct role in receiving and accepting this contribution earmarked "for TABOR Support". The other appears to be a form letter for other such TABOR donations sent out under Becker's signature with an added handwritten comment. The existence of such a form letter would indicate that MHPC made a regular practice of accepting such donations. Note the following key statement from the opening paragraph unequivocally stating that the monies will be used for advocating the passage of TABOR:

> "...[MHPC] will use [the donation] to advance our mission of promoting The Taxpayer Bill of Rights, a solution that will benefit all the people of Maine."

I will be happy to provide the Commission access to the original documents if there is any question as to their authenticity.

**MHPC's Willful Deceit of the Commission**

These documents do more than meet the Commission's stated prerequisite to the conduct of an investigation in this case. They demonstrate that MHPC, through its blatant misrepresentations about facts material to the Commission's investigation of my complaint, willfully and knowingly deceived the Commission following the Commission's solicitation of information regarding this matter from MHPC. The false statements made by MHPC through their counsel in a letter to the Commission's Executive Director on October 26, 2006, and its oral misrepresentations to the Commission on October 31, 2006, constitute a clear violation of 21-A M.R.S.A. § 1004-A(5), which provides as follows:

> **5. Material False Statements.** A person that makes a material false statement or that makes a statement that includes a material misrepresentation in a document that is required to be submitted to the commission, *or that is submitted in response to a request by the commission*, may be assessed a penalty not to exceed $5000.
>
> ***
>
> In determining any penalty under subsections 3, 4 and 5, the commission shall consider, among other things, *the level of intent to mislead*, the penalty necessary to deter similar conduct in the future and the harm suffered by the public from the incorrect disclosure.

21-A M.R.S.A. §1004-A(5) (emphasis added). Pursuant to 21-A M.R.S.A. § 1001(3), a "person" is defined as "an individual, committee, firm, partnership, corporation, association, group or organization," which clearly encompasses MHPC. The statements in question were made in response to a request by Executive Director Wayne in his letter to Daniel Billings of October 24. Because MHPC legal counsel Daniel Billings was writing and speaking directly on behalf of MHPC, and was acting as their agent before the Commission, his statements to the Commission must be attributed to MHPC for purposes of enforcing the statutory provision prohibiting material false statements to the Commission.

Moreover, the grievous and egregious nature of these gross misrepresentations is not just startling, but instructive as to the proper course of conduct in this case. It establishes at the outset that this matter cannot be fairly or adequately resolved by allowing MHPC to engage in any voluntary reporting (that they should have done in the past) or by allowing

MHPC to voluntarily submit to the Commission selected records they choose to disclose. If there is any case that calls more unequivocally for the exercise by the Commission of its subpoena powers to obtain the full and complete financial records of a regulated organization, I cannot conceive of one. MHPC forfeited any opportunity to voluntarily report or cooperate when it openly lied to the Commission through its legal counsel. Based upon the information before it, it is now incumbent upon the Commission to exercise its powers under 21-A M.R.S.A. to subpoena records and take evidence from witnesses under oath.

Although there is already enough evidence to conclude that MHPC violated Maine laws requiring the disclosure of funds solicited and/or or received for purposes of advocating the passage or defeat of a ballot initiative, a full and complete investigation of ***all*** revenues and expenditures of MHPC in 2005 and 2006 will be necessary to determine whether MHPC met the definition of a Political Action Committee in either or both of those two calendar years. The results of such an investigation may in turn justify a more complete investigation of MHPC's finances and political campaign activities dating back to the date of its founding in 2002. When the direct evidence brought to the Committee's attention is viewed together with the circumstantial evidence already presented about the MHPC's direct and extensive involvement with the TABOR ballot initiative, there is a strong likelihood that a full-scale investigation into MHPC's revenues and expenditures (including but not limited to its personnel and payroll expenditures) will reveal that, in 2005 and/or 2006, MHPC had as "its major purpose advocating the passage or defeat of a ballot question and [made] expenditures other than by contribution to a political action committee, for the purpose of the initiation, promotion or defeat of any question." 21-A M.R.S.A. § 1052(5)(A)(3).

The Commission will hopefully see fit to bring sanctions against Mr. Becker and his organization appropriate for conduct that rises above mere criminality. MHPC's flagrant violations of the state election law and brazen deceit and dishonesty before the Ethics Commission, if unchecked, do worse than improperly sway the vote on a ballot measure. Such conduct threatens the very fabric and integrity of Maine's democratic electoral process. It is particularly essential that organizations such as the MHPC not be allowed to conceal the nature and extent of their involvement in an effort to pass a ballot measure – not simply by lying to the Commission about their funding and expenditures – but by carefully electing ***not*** to establish a political action committee in order to hide behind other statutory provisions of Maine election law that, the MHPC contends, require no meaningful reporting to the Commission or to the public.

Given the severity of this situation, it is also appropriate for Mr. Billings to explain himself in this matter, too. The Commission ought to question him under oath to determine whether or not he willfully and knowingly deceived the Commission. If he did so, then that should be a matter of some interest, not just to the Commission but to the Maine Board of Bar Overseers. If not, then the only logical conclusion is that the MHPC lied to its own attorney, further underscoring the unreliability of any statements that counsel has made or might still make.

**Conclusion**

The circumstantial evidence provided should have been sufficient for the Commission to fulfill its charge to "investigate and advise on apparent violations of ethical standards" committed by MHPC. Now, I have also furnished the direct evidence that both the Commission's Executive Director and counsel for the MHPC indicated would be sufficient to trigger a full-scale investigation. This new material demonstrates MHPC's deliberate and knowing deceit of the Commission. It proves that the Commission cannot rely upon any voluntary self-disclosure about MHPC's finances and activities. Moreover, the investigation into these matters should logically extend past the TABOR campaign. Given the fundamental incapacity for candor and truthfulness demonstrated by MHPC in this case, there ought to be a thoroughgoing investigation of MHPC's funding, expenditures and activities going back to the founding of the organization. This will determine whether MHPC's actions during the TABOR campaign were isolated, or whether they are part of a larger pattern of misconduct in past years and past election cycles, specifically, but not exclusively, with regard to the Polesky tax initiative of 2 years ago. Then, and only then, with full and proper sunlight being shone on the activities of this purportedly "nonprofit, nonpartisan research and educational" organization, will the Commission be able to enforce this State's election laws and safeguard the integrity of electoral democracy in Maine.

Respectfully submitted,

Carl Lindemann

Carl Lindemann

Enclosures

cc: Jonathan Crasnick, Executive Director of Democracy Maine (w/enclosures)
Daniel I. Billings, Esq.

REDACTED

Denver Co

Bill Becker
Maine Heritage Policy Center
Attn: Donations / TABOR
PO Box 7829
Portland ME 04112

DAVID A. BRINEY
REDACTED
DENVER, CO

3646
23-2/1020

11-1 2006

PAY TO THE ORDER OF Maine Heritage Policy Center $ 125.00

One Hundred Twenty Five and 00/100 DOLLARS

U.S. BANK
REDACTED

FOR TABOR support

David A. Briney

⑆ REDACTED ⑆ 3646

11-1-06

Dear Mr. Becker,

I found out about your work for passing the Taxpayer Bill of Rights in Maine through John Andrews of Backbone Radio on KNUS-AM here in Denver and I want to give my support to it.

Sincerely,

*We the people of Maine...*

THE **MAINE HERITAGE** POLICY CENTER

November 6, 2006

www.mainepolicy.org

P.O. Box 7829
Portland, Maine 04112

Tel: 207.321.2550
Fax: 207.773.4385

Mr. David A. Briney
REDACTED
Denver, Colorado

Dear Mr. Briney,

On behalf of the Board of Directors, please accept my sincere thanks for your generous contribution of $125.00 to The Maine Heritage Policy Center. We are very grateful for this donation, and will use it to advance our mission of promoting The Taxpayer Bill Of Rights, a solution that will benefit all people of Maine.



As the author of The Taxpayer Bill Of Rights, we believe that this initiative provides a road map to jump-start Maine's economy. With only a few weeks until the election, we are in a fight for Maine's economic life. As you are aware, Maine has the highest property taxes and the highest state and local tax burden in the country. Our economy continues to struggle. In 2005, Maine was just one of two states to see a decline in economic activity, as reported by the Federal Reserve Bank of Boston. Louisiana, which was ravaged by hurricane Katrina, was the only other state to see a decline. It is more important than ever to educate Maine citizens about the challenges we currently face.

We understand that the economic pie is shrinking. A large part of the problem has been Maine's highest-in-the-nation tax burden, driven by out-of-control government spending. One way to address that problem is through an effective "Tax-and-Expenditure Limit" such as Maine's proposed The Taxpayer Bill Of Rights. Such responsible public policy encourages Maine businesses to remain in the state and grow, thus creating more Maine jobs and higher incomes for Maine workers. With Maine's per capita tax burden growing 50% faster than the rate of inflation, we must act now and work to stop Maine's spending frenzy. Since January 2003, government jobs are growing at more than twice the rate of private sector jobs. This is not an investment in Maine's future. We are digging out the facts everyday and working hard to promote this race based on facts and evidence, not emotions.

The Taxpayer Bill Of Rights is the only public policy in front of Maine voters or our legislators that is guaranteed to reduce Maine's tax burden and ensure that government does not grow faster than the people's ability to pay. It is a reasonable solution for Maine citizens and I thank you for being part of the solution in helping to solve Maine's economic challenges and for investing in Maine's future.

Thank you for joining this effort to help our leaders understand the need for genuine reforms in the way Maine operates – and for providing them with viable and proven policy solutions that will change Maine's future to one of opportunity and promise.

Please do not hesitate to contact me at 207-321-2550 with any questions or suggestions. Thank you again for your support – I look forward to seeing you at a Maine Heritage event very soon.

Yours truly,

Bill Becker

Bill Becker
President and Chief Executive Officer

Again on this!

We the people of Maine... 11/6/06

THE MAINE HERITAGE POLICY CENTER

**Bill Becker**
PRESIDENT & CEO

Dear Mr.

Thank you for your kind contribution to MHPC - our work on the Taxpayer Bill of Rights introduced us to John Andrews - and now to you. Thanks for your really kind note & contribution.

Best, Bill

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DANIEL W. MARRA

ALBERT L. BERNIER
(RETIRED)
F. HAROLD DUBORD
(1891-1964)
RICHARD J. DUBORD
(1921-1970)
HAROLD C. MARDEN
(1900-1994)
ROBERT A. MARDEN
(RETIRED)

October 26, 2006

Jonathan Wayne, Executive Director
Maine Commission on Governmental Ethics & Election Practices
135 State House Station
Augusta, ME 04333-0135

**RE: Maine Heritage Policy Center**

Dear Jonathan:

I am responding on behalf of the Maine Heritage Policy Center ("MHPC") to your letter of October 24th concerning the complaint by Carl Lindemann. The complaint raises significant and complicated issues and we are happy to cooperate with the Commission's inquiry. Before responding to the specific issues raised by the complaint, I would like to provide an overview of MHPC and its activities to provide some context to their activities related to the Maine Taxpayer Bill of Rights.

**Maine Heritage Policy Center's Activities**

The Maine Heritage Policy Center is a nonprofit, nonpartisan research and educational organization whose purpose is to analyze and promote conservative and free market public policy solutions that will benefit the people of Maine. MHPC's work is primarily focused on fiscal, health care, and education issues – as well as data collection and publications.

In 2003, MHPC authored its first-ever policy report on tax-and-expenditure limits (TELs). MHPC identified TELs as a potential solution to Maine's high tax ranking, researching the make-up of the 25+ states that had some form of TELs. MHPC has continued to promote TELs as a policy solution since that first report.

In 2004, MHPC hosted the "Emergency Tax Summit" in Portland, bringing together respected economists and policy experts from Maine and around the nation to address Maine's continued high tax burden. Two respected economists from Colorado spoke about the Colorado TEL, instituted in 1992, that served to lower taxes and strengthen the economy.

Following that conference, MHPC set about the task of drafting model legislation for a TEL in Maine. In consultation with Maine legislators, national economists and policy experts, MHPC worked to design a TEL that would work within Maine's unique dynamics and laws. That work was completed in the summer of 2004.

Following the completion of the model TEL, it was advanced in two separate directions. Mary Adams became interested in using the model TEL as a citizen's initiative, and took the necessary steps to begin that process, including the creation of a political action committee "TaxpayerBillofRights.com". Additionally, Senator Mary Andrews took the model TEL and submitted it in the Legislature as a legislative bill. That bill eventually was voted down in the Legislature.

In October of 2004, Mary Adams received approval to circulate petitions for what was to be known as the Maine Taxpayer Bill of Rights. Signatures were gathered through October of 2005, when the petitions were submitted to the Secretary of State. In February of 2006, the Secretary of State certified the petitions. Soon thereafter, Kathleen McGee filed a suit in Superior Court challenging the Secretary of State's decision. The Superior Court found in McGee's favor, and Mary Adams appealed to the Law Court.

In the Law Court case, Democracy Maine filed an amicus brief, siding with Ms. McGee's defense of the Superior Court decision. Michael Duddy, Esquire was retained by Mary Adams for the appeal, and Assistant Attorney General Phyllis Gardner also argued against the Superior Court decision on behalf of the Secretary of State. In May of 2006, the Law Court unanimously found in Adams' favor, ordered that the petitions be ruled valid, and thus placed the citizen's initiative on the November 2006 ballot.

Over the past two years, MHPC has conducted additional research and analysis on Maine's proposed TEL. MHPC researchers have studied the impact of TELs on other states, notably Colorado, as well as the other states that now have a TEL and the positive correlation between lower taxes and economic vitality. MHPC has used comprehensive computer equilibrium modeling to estimate the job creation and increase of personal income that would result from Maine's proposal. MHPC has further delved into Maine's struggling economy and continued to encourage restrained government growth as a way to reduce Maine's tax burden.

The staff at MHPC has been invited numerous times to speak about the Maine Taxpayer Bill of Rights. Most often, MHPC has been asked to educate audiences about what the bill says, why it was designed the way it was and in what context it was seen as a solution. MHPC is the author of the model legislation that since became a citizen's initiative. The staff of MHPC is seen as experts on the initiative, and as such, has been asked to testify at the Legislature and at the municipal level, and also to speak at debates and service organizations regarding the research and analysis MHPC has conducted. Often, MHPC is contacted by the media to answer technical questions about the bill or to answer charges from those opposed to the Taxpayer Bill of Rights initiative.

As the drafters who developed the initial model legislation, MHPC is in the best position to provide information on what the initiative says and what the analysis shows will be the initiative's impact. That is the nature of MHPC's work as a public policy research and educational organization – to research and analyze public policies and educate people regarding the findings.

The Maine Heritage Policy Center has not distributed or produced political literature that specifically advocates a "Yes on 1" or "Vote Yes on TABOR" position. In their remarks, MHPC's staff does not tell people to vote one way or the other. The materials submitted by Mr. Lindemann and Democracy Maine show this to be the case. MHPC has not purchased television, radio, or newspaper advertisements to influence the outcome of the referendum. MHPC has not purchased nor distributed lawn signs, bumper stickers, or other types of campaign material. The Maine Heritage Policy Center does not solicit or receive funds that are predicated on the Center's taking a position on any issue. All donations received are used to support the overall operations and general mission of the Center.

In short, the Maine Heritage Policy Center is engaged in policy research and analysis, and not political campaigning. The Center's staff serves as policy experts in key areas, including Tax and Expenditure Limits. As such, MHPC is called to provide analysis in those areas.

With this letter, copies of recent publications produced by MHPC are being provided to give the Commission a clear picture of the Center's activities.

**Responses to Questions in October 24th letter**

It is important to begin this discussion by noting that the United States Supreme Court has held that advocacy concerning referendum-type elections involves "core political speech," and state regulation of election advocacy accordingly requires "exacting scrutiny" to ensure that the regulation is "narrowly tailored" to an "overriding state interest." <u>McIntyre v. Ohio Elections Comm'n</u>, 514 U.S. 334, 347, 115 S.Ct. 1511, 131 L.Ed.2d 426 (1995). The Court has reminded us that the premise of the First Amendment is that voters are presumed to be able to assess the persuasiveness of a message and vote a ballot issue up or down on its merits. <u>See</u> <u>Id.</u> at 348-49, 115 S.Ct. 1511. Though the wording of the Maine statutes in this area are quite broad, the Commission should keep in mind that core political speech is at issue and the statutes should, as a result, be read and applied narrowly.

In applying the statutes to MHPC's activities, it is my conclusion that neither registration with nor financial reporting to the Commission is required.

MHPC is not a political action committee ("PAC") as defined by 21-A M.R.S.A. §1052. MHPC is not a segregated fund established with the purpose of influencing an election. MHPC is not a funding or transfer mechanism for a campaign. Its major purpose is not advocating the passage of a ballot question. It has not solicited or received any contributions to influence the outcome of a referendum campaign. It should be noted that other similar organizations, such as the Maine Center for Economic Policy, have not registered as a PAC, though they are involved in the campaign to defeat the Maine Taxpayer Bill of Rights.

MHPC should also not be required to file financial reports under 21-A M.R.S.A. §1056-B. While MHPC's activities may influence the referendum on the Maine Taxpayer Bill of Rights, MHPC's has not solicited or accepted contributions or made expenditures for the purpose of initiating, promoting, defeating, or influencing in any way the outcome of the referendum. MHPC's purpose in speaking about the Maine Taxpayer Bill of Rights is to further the Center's mission to analyze and promote conservative and free market public policy solutions that will benefit the people of Maine. MHPC is engaging in the same types of activities today as it did before the referendum was placed on the ballot and it will be engaging in the same types of activities after November 7th. The purpose of MHPC's activities is not to influence the outcome of the referendum, therefore, its activities do not trigger reporting under 21-A M.R.S.A. §1056-B.

As I noted in my brief presentation to the Commission last week, if the Commission decides that the time spent by MHPC staff speaking about the Maine Taxpayer Bill of Rights triggers reporting, there are dozens of other organizations that should also report. Many municipalities have spent considerable staff time on the referendum and some have spent money getting information about the municipality's view on the initiative to citizens. Other organizations such, as the Maine Chamber of Commerce, several local chambers of commerce, and even the Roman Catholic Diocese of Portland, have spent considerable time and effort studying the Maine Taxpayer Bill of Rights and communicating their views to the public. I do not believe that the Legislature intended reporting to be triggered simply by the study of an issue and public statements concerning an issue. Even if that was intended, I do not believe that such a broad regulation of core political speech would withstand constitutional scrutiny.

I will be in attendance at the Commission's meeting on October 31st, along with Bill Becker, President & Chief Executive Officer of MHPC. Bill has a pre-existing commitment on the morning of October 31st and will not likely be able to get to the meeting before 10:30 a.m. I request that this matter be scheduled after other matters on the agenda so Bill can participate in the discussion. Though I will certainly be prepared to discuss the issue, Bill is in the best position to answer any questions that Commission members may have about MHPC and its activities.

If you believe any further information would be of assistance to the Commission, please let me know.

Very truly yours,

Daniel I. Billings

e-mail: dbillings@gwi.net

MCEP
Maine Center for Economic Policy



Nov. 29, 2006
Jonathan Wayne
Commission on Governmental Ethics
133 State House Station
Augusta, ME 04333

Dear Mr. Wayne,

Thank you for your invitation to comment on the Commission's consideration of 21 MRSA 1056B financial reporting at their meeting Dec. 12.

I regret that I and my colleague Ed Cervone will be in Washington DC for that day and our associate director Lisa Pohlmann also has a conflicting prior engagement. I will offer a few comments briefly here and have spoken with Paul Lavin. I will be respond to any questions next week.

The requirements of Section 1056B were brought to our attention last spring, and we consulted counsel on how best to interpret the requirements. We were advised that there are at least arguable claims that First Amendment guarantees might permit an interpretation that our activities were not subject to reporting, but as an organization we feel the legislative objective of providing transparency about spending on ballot initiatives is as at least as important as transparency and limits on funding for elective offices.

There was no question in our mind that our newsletters, public presentations, debates, contacts with the press, sponsoring of Colorado speakers regarding the effects of TABOR in their state were all designed to "influence" the defeat of the initiative, and the plain language of the section 1056B seemed to us to clearly require a report of our staff time and small other expenditures in those activities.

It is astonishing to us that an organization that claims to have written the initiative and sent debaters to such forums as the Androscoggin Chamber of Commerce, Bangor Chamber of Commerce and many others to advocate for its content "against" our staff who were asked to explain our reasons for opposing it could claim that they were not trying to influence the passage of the initiative. To us the claim simply does not pass the "straight face" (or straight talk) test.

We believe our first amendment rights are distinctly chilled if we in good faith report our expenditures and another organization conducting virtually identical activity is allowed to go without reporting. As we see it such "unfair advantage" is exactly what the legislature was seeking to avoid with the passage of section 1056B.

We would be happy to provide the Commission with videotapes of debates, news clippings, calendar listings of debates, powerpoints by both sides, and volumes of evidence of who campaigned for the referendum.

We agree that there are some ambiguities within the current language and some very strict interpretations might arguably run afoul of constitutional requirements. But the fundamental objective of requiring reporting of expenditures made either directly or through the employment of paid staff time, and the reporting of contributions made expressly for the purpose of persuading the public to affect the ballot outcome seems to us straightforward and enforceable. If the Commission decides to undertake rulemaking to further clarify for example, how to calculate staff time spent, or how to address an organization using funds given for "general support" rather than for the specific purpose of affecting the ballot question, we would be happy to discuss further how we would recommend drawing some clear lines that would give organizations such as ours greater guidance.

We urge the Commission to apply the statute as written fairly and evenhandedly to all who undertake the listed activities. We do not find any room for the claimed exemption for "policy analysis" or "research and education". We think a "de minimus" distinction could be rationally applied to an organization such as the Margaret Chase Smith Center or Muskie Center or University Trustees, that simply releases a statement of their analysis of potential negative or positive effects of a ballot question. But an organization that employs a full-time communications director to take such a position at every opportunity in every news media and in public forums week after week clearly has entered into activities that should be required to be reported. We do not think such an organization should be allowed to ignore the plain language of the statute by citing the many organizations that released a single statement or analysis as if their activity had risen to the same need for reporting.

We thank the Commission for taking this complaint and the issues raised seriously. We think they go to the heart of fairness in our election process.

Sincerely,

Christopher St.John
Cell 441-2694

Maine Municipal Association

60 COMMUNITY DRIVE
AUGUSTA, MAINE 04330-9486
(207) 623-8428
www.memun.org

December 1, 2006

Jonathan Wayne, Executive Director
Maine Commission on Governmental Ethics and Election Practices
135 State House Station
Augusta, Maine 04333-0135

Dear Director Wayne,

Please accept this letter as the written comments of the Maine Municipal Association (MMA) in response to your request dated November 17, 2006. These comments focus on the general policy question raised by 22 MRSA 1056-B.

The MMA does not advocate a particular resolution to your inquiry regarding the conduct of the Maine Heritage Policy Association (MHPC) and whether it was obligated to disclose its activities in support of TABOR. However, for purposes of illustration, this letter will reference MHPC with respect to the Question 1 (TABOR) campaign.

**Summary Comment**

Essentially, either MHPC underreported or MMA overreported its activities during the TABOR campaign. MMA urges the Commission to clarify the applicability of 21-A MRSA 1056-B (1056-B filings) so that there is no disparity in disclosure in the future.

**About MMA**

MMA is a non-profit, non-partisan organization with a voluntary membership of all but one of the State's 493 cities, towns, plantations and organized townships. It is governed by a 12-member Executive Committee made up of elected and appointed municipal officials. The Committee appoints an Executive Director to manage the affairs of the Association.

Since its inception in 1937, it has always been, and continues to be our goal to provide a unified voice of Maine's municipalities to promote and strengthen local government. Members of our staff frequently appear before state agencies and legislative committees to testify on rules, regulations, and proposed legislation affecting our member municipalities and ultimately the citizens of Maine.

MMA has four registered lobbyists (the executive director and three members of its State and Federal Relations Department). MMA makes routine filings of its normal lobbying activities.

In recent years, MMA has been actively involved in three referendum/initiative campaigns (the 55% school funding question, the Palesky Tax Cap and TABOR). In addition to the routine filings, MMA consistently made 1056-B filings in connection with its activities relative to these initiative questions.

**TABOR**

MMA opposed the adoption of TABOR. MMA worked to defeat TABOR through the entire process – from legislative bill to ballot question.

MMA was a principal member of the Political Action Committee known as Citizens United to Protect Our Public Safety, Schools and Communities (Citizens PAC) which was the central opposition PAC in the TABOR campaign. MMA's 1056-B filings were made through the Citizens PAC. MMA made both "cash" and "in-kind" contributions to the Citizens PAC.

Attached are three examples of the in-kind contribution portions of Citizens PAC filings. These filings demonstrate that MMA reported approximately $50,000 of in-kind contributions. The basic issue before you is whether these in-kind contributions were required to be reported. MMA believes they were.

Generally speaking, the MMA activities that comprise the $50,000 figure are as follows:

1. Staff time devoted to influencing public opinion:
   a. Participation, in person or by phone, in meetings with other organizations regarding campaign strategy,
   b. Preparation of advocacy materials (e.g., talking points),
   c. Participation in public speaking engagements which were not exclusively to MMA members or affiliates.
2. Travel expenses related to public speaking engagements. (Please see attached document listing all of MMA's speaking engagements.)
3. Copying expenses related to information packets distributed at public speaking engagements. (Please see attached document listing all of MMA's packet information. Also please see a sample packet.)

Activities of MMA staff which were not reported included:

1. Preparation of purely research material (e.g., data).
2. Phone calls and meetings with municipal officials and affiliate groups.

**Standard For Reporting**

The general standard MMA employs in deciding whether an item is reportable is whether, in context, the MMA action was intended to influence public opinion on TABOR.

So, for example, MMA produced a document that explains our estimate of the town-by-town impact that TABOR would have had if had been enacted last year. There was no advocacy in the document at all – a simple presentation of what the spending restriction percentages would be for each town. This is the kind of analysis we do for our members on any bill and that was the purpose for doing this research regarding TABOR. Thus, the staff time devoted to creating that document was not reported.

However, MMA's purpose for participating in public forums and debates was to influence public opinion by providing information and education on TABOR's impact. Therefore, to the extent that the town-by-town document was copied and distributed to the public at these forums, the cost of reproduction, the staff time in presenting the document and even the gas reimbursements associated with traveling to the forum were reported.

**Education vs. Advocacy**

MMA did not make a distinction between "education" and "advocacy"; we do not believe there is an exemption in 1056-B influencing or promoting through education. Furthermore, the two are not exclusive. That is, that vast majority of the documents we produced, copied and distributed were "educational" in the sense that they informed voters about different aspects of TABOR. Very few of MMA's documents actually had the "Vote No" type message.

For example, one document that we always copied and distributed to the public was the proposal itself. (Interestingly, MHPC wrote the bill and testified in favor of it before the legislature, but it did not distribute the bill at the public forums). Nevertheless, since our *motivation* in providing the wide array of documents that we did was to influence the opinion of those receiving the material, we reported our efforts.

Instead of attempting to craft rules based upon others' characterization of what MMA or MHPC did in the campaign, I would ask that you view the two enclosed videos. They are videos of two different MMA v. MHPC presentations. One occurred in Waterboro on September 18, 2006 the other occurred in Waterville on October 12. I personally engaged in the second, and I believe each are quite representative of the dozens of such forums that were held in connection with TABOR.

MMA reported its costs associated with its participation in these events, MHPC did not. Again our aim is not to participate in your deliberations regarding MHPC, only to point out the different interpretations that were applied to the same law during TABOR. Our hope is that your rules will clarify whether we over reported or MHPC underreported, so that we all have better guidance in the future.

**Question Before the Commission**

There appear to be two types of standards the Commission could employ.

The first standard, which is the standard I believe MHPC is promoting, is a "magic words" standard. That is, as long as one doesn't say the magic words of "Vote Yes" or "Vote No", one can say just about anything and not report the costs under an education exemption.

I would call the second standard the "motive" or "intent" standard that MMA used. That is, regardless of what words were used or what documents were distributed, if it is clear to the average, reasonable person that our message is to either promote or oppose a ballot initiative, then the costs associated with delivering that message must be reported.

**MMA Recommendation**

MMA believes the intent and spirit of the law are quite clear. Anyone may participate and influence an election -- the only cost is transparency. That is, do what you want, but report it. That is not too steep a price to pay for participation in a public initiative process.

It is equally clear to us that MHPC attempted to "promote" TABOR and "influence" the public vote on TABOR. However, instead of relying on MMA's description of what MHPC did or did not do (or MHPC's description or anyone else's), judge for yourselves. Watch the videos.

I would like to be able to say that MMA will continue to report its activities regardless of where you draw the line. However, political reality may prevent that. As you know, the amount of money spent for and against an initiative is front page news. Time and again, MHPC and other pro-TABOR groups would point to the ethics filings of MMA and claim to be "outspent" in the campaign. That may or may not be; they were, however, out-reported.

The fact of the matter is that our political opponents exploited the fact that we reported our presence at the forums and they do not; that we reported the costs associated with copying our materials which we distributed and they do not; that we reported our expenses and they did not.

It will be very difficult for MMA to continue to suffer the political disadvantage of having a higher standard for reporting our activities than do our political opponents.

The only way to have both transparency and fairness is to have a broad interpretation of 1056-B.

Yours,

Jeffrey Austin
Maine Municipal Association

Attachments (in mail)

CITIZENS UNITED TO PROTECT OUR PUBLIC SAFETY, SCHO

Name of PAC

## SCHEDULE C

## IN-KIND CONTRIBUTIONS/EXPENDITURES

**In-kind CONTRIBUTIONS**

**With respect to all items and services received and expended, enter the date received, a descripton of the item or service, and the fair market value. Enter contributor information if the fair market value of donated item or service is more than $50.**

| Date Received | Contributor's name, address, zip code | Description of goods, services, discounts or facilities received/expended | Fair market value |
|---|---|---|---|
| 9/30/2006 | AARP MAINE<br>1685 CONGRESS STREET<br>PORTLAND ME 04102 | STAFF TIME | 706.50 |

**In-kind CONTRIBUTIONS**

**With respect to all items and services received and expended, enter the date received, a descripton of the item or service, and the fair market value. Enter contributor information if the fair market value of donated item or service is more than $50.**

| Date Received | Contributor's name, address, zip code | Description of goods, services, discounts or facilities received/expended | Fair market value |
|---|---|---|---|
| 9/30/2006 | MAINE EDUCATION ASSOCIATION<br>35 COMMUNITY DRIVE<br>AUGUSTA ME 04330 | STAFF TIME | 1,730.00 |

**In-kind CONTRIBUTIONS**

**With respect to all items and services received and expended, enter the date received, a descripton of the item or service, and the fair market value. Enter contributor information if the fair market value of donated item or service is more than $50.**

| Date Received | Contributor's name, address, zip code | Description of goods, services, discounts or facilities received/expended | Fair market value |
|---|---|---|---|
| 9/30/2006 | MAINE MUNICIPAL ASSOCIATION<br>60 COMMUNITY DRIVE<br>AUGUSTA ME 04355 | STAFF TIME, TRAVEL EXPENSES, SUPPLIES | 26,075.79 |

**In-kind CONTRIBUTIONS**

**With respect to all items and services received and expended, enter the date received, a descripton of the item or service, and the fair market value. Enter contributor information if the fair market value of donated item or service is more than $50.**

| Date Received | Contributor's name, address, zip code | Description of goods, services, discounts or facilities received/expended | Fair market value |
|---|---|---|---|
| 9/30/2006 | MSEA-SEIU LOCAL #1989<br>65 STATE STREET, P.O. BOX 1072<br>AUGUSTA ME 04332 | STAFF TIME | 1,000.00 |

CITIZENS UNITED TO PROTECT OUR PUBLIC SAFETY, SCHO

Name of PAC

## SCHEDULE C

## IN-KIND CONTRIBUTIONS/EXPENDITURES

**In-kind CONTRIBUTIONS**

**With respect to all items and services received and expended, enter the date received, a descripton of the item or service, and the fair market value. Enter contributor information if the fair market value of donated item or service is more than $50.**

| Date Received | Contributor's name, address, zip code | Description of goods, services, discounts or facilities received/expended | Fair market value |
|---|---|---|---|
| 7/18/2006 | AARP MAINE<br>1685 CONGRESS STREET<br>PORTLAND ME 04102 | STAFF TIME, RESEARCH REVIEW | 704.00 |

**In-kind CONTRIBUTIONS**

**With respect to all items and services received and expended, enter the date received, a descripton of the item or service, and the fair market value. Enter contributor information if the fair market value of donated item or service is more than $50.**

| Date Received | Contributor's name, address, zip code | Description of goods, services, discounts or facilities received/expended | Fair market value |
|---|---|---|---|
| 7/18/2006 | MAINE MUNICIPAL ASSOCIATION<br>60 COMMUNITY DRIVE<br>AUGUSTA ME 04355 | STAFF TIME, RESEARCH, TRAVEL EXPENSES, OFFICE EXPENSES | 6,635.09 |

**In-kind CONTRIBUTIONS**

**With respect to all items and services received and expended, enter the date received, a descripton of the item or service, and the fair market value. Enter contributor information if the fair market value of donated item or service is more than $50.**

| Date Received | Contributor's name, address, zip code | Description of goods, services, discounts or facilities received/expended | Fair market value |
|---|---|---|---|
| 7/18/2006 | MAINE EDUCATION ASSOCIATION<br>35 COMMUNITY DRIVE<br>AUGUSTA ME 04330 | STAFF TIME, TRAVEL EXPENSES | 1,725.00 |

CITIZENS UNITED TO PROTECT OUR PUBLIC SAFETY, SCHO

Name of PAC

## SCHEDULE C

## IN-KIND CONTRIBUTIONS/EXPENDITURES

**In-kind CONTRIBUTIONS**

**With respect to all items and services received and expended, enter the date received, a descripton of the item or service, and the fair market value. Enter contributor information if the fair market value of donated item or service is more than $50.**

| Date Received | Contributor's name, address, zip code | Description of goods, services, discounts or facilities received/expended | Fair market value |
|---|---|---|---|
| 10/26/2006 | MAINE EDUCATION ASSOCIATION<br>35 COMMUNITY DRIVE<br>AUGUSTA ME 04330 | STAFF TIME | 700.00 |

**In-kind CONTRIBUTIONS**

**With respect to all items and services received and expended, enter the date received, a descripton of the item or service, and the fair market value. Enter contributor information if the fair market value of donated item or service is more than $50.**

| Date Received | Contributor's name, address, zip code | Description of goods, services, discounts or facilities received/expended | Fair market value |
|---|---|---|---|
| 10/26/2006 | MSEA-SEIU LOCAL #1989<br>65 STATE STREET, P.O. BOX 1072<br>AUGUSTA ME 04332 | STAFF TIME | 200.00 |

**In-kind CONTRIBUTIONS**

**With respect to all items and services received and expended, enter the date received, a descripton of the item or service, and the fair market value. Enter contributor information if the fair market value of donated item or service is more than $50.**

| Date Received | Contributor's name, address, zip code | Description of goods, services, discounts or facilities received/expended | Fair market value |
|---|---|---|---|
| 10/26/2006 | MAINE MUNICIPAL ASSOCIATION<br>60 COMMUNITY DRIVE<br>AUGUSTA ME 04355 | STAFF TIME, TRAVEL EXPENSES | 14,259.39 |

**In-kind CONTRIBUTIONS**

**With respect to all items and services received and expended, enter the date received, a descripton of the item or service, and the fair market value. Enter contributor information if the fair market value of donated item or service is more than $50.**

| Date Received | Contributor's name, address, zip code | Description of goods, services, discounts or facilities received/expended | Fair market value |
|---|---|---|---|
| 10/26/2006 | AARP MAINE<br>1685 CONGRESS STREET<br>PORTLAND ME 04102 | STAFF TIME | 192.00 |

## Wayne, Jonathan

**From:** Brenda Peluso [bpeluso@nonprofitmaine.org]

**Sent:** Tuesday, November 28, 2006 2:07 PM

**To:** Wayne, Jonathan

**Cc:** Scott Schnapp

**Subject:** MHPC Question

Dear Mr. Wayne,

Thank you for this opportunity to comment. While we are not aware of all the activities undertaken by MHPC, we were definitely led to believe by their actions and appearances that they were advocating for a yes vote on question one. Whether or not they expressly advocated or merely avoided certain phrases, I don't know; however, the efforts I witnessed certainly appeared to have the "purpose of ... influencing" the outcome of the voting. It is our belief that if the organization spent more than $1,500 on these efforts, then they should have reported such expenditures under 1056-B.

We also believe that there is a very bright line between analysis and advocacy. It is one thing to do research, express your opinion, based on the findings of fact. It is another thing to spend over $1,500 promoting the results of your analysis when those results could sway the outcome of an election or a legislative vote. Since there is no penalty for disclosing, we see no reason to not disclose.

The most important asset most nonprofits have is their credibility. We advocate that nonprofits err on the side of transparency so as not to damage that credibility. There is nothing to be lost from over disclosing under 1056-B when the activities are ethical and aligned with mission.

As to the general policy question, we find the language clear enough as is. Efforts to further clarify introduce the likelihood of unintended consequences – such as making it easy to avoid certain phrases and therefore reporting requirements, gutting the intent of the law. We do not believe that the law as currently written imposes any undue burden on nonprofits' ability to do nonpartisan research and education.

Best regards, Brenda Peluso
Director of Public Policy
Maine Association of Nonprofits
565 Congress Street, Suite 301
Portland, ME 04101
207.871.1885
www.nonprofitmaine.org

*Advancing / Connecting / Strengthening*

Memo

To: Jonathan Wayne & the State of Maine Commission on Governmental Ethics and Election Practices
From: Maine People's Alliance
Date: November 28,2006
Re: Comments on the general policy question regarding the requirement to file the 1056-B report when receiving or expending more than $1500 working to support or defeat a ballot question.

The Maine People's Alliance believes the law to be clear -any person or organization that is not a political action committee that receives contributions or makes expenditures in excess of $1500 must file a report. We don't see the words "express advocacy" entering the law here. We do see the words "promoting" and "influencing". Any organization that promotes or influences in excess of $1500 should file the 1056-B.
Maine People's Alliance has thus filed the 1056 –B around support for the Maine Won't Discriminate ballot question and more recently in opposition of the TABOR ballot question.

Sincerely,

Jesse Graham
Associate Director
Maine People's Alliance.

**Carl Lindemann**

P.O. Box 2228
Cedar Park, Texas 78630

Phone 207-318-7093
Email Carl@cyberscene.com

Jonathan Wayne
Executive Director
Maine Ethics Commission
135 State House Station
Augusta, Maine 04333
BY FAX & CERTIFIED MAIL

RECEIVED
OCT 23 2006

October 19, 2006

Dear Mr. Wayne,

Pursuant to the Ethics Commission Rules, I officially request a Commission investigation into the conduct and actions of the Maine Heritage Policy Center (MHPC) for its conduct in the TABOR campaign.

MHPC apparently operates outside the scope of Maine disclosure requirements. It carries out significant, yet undocumented efforts to pass TABOR through unknown numbers of its staff funded by unknown contributors. Despite operating alongside and, often, in the place of the measure's proponent PAC, MHPC is not registered as a Political Action Committee, has not disclosed making in-kind contributions to the proponent PAC, or has filed a form 1056-B.

MHPC's efforts on behalf of the passage of TABOR include many of the functions that otherwise would be conducted by the measure's proponent PAC. Most visible are how MHPC representatives serve in the place of spokespersons for the proponent PAC and provide numerous public relation services. MHPC has secured a large amount of earned media through these public relations activities. The scope and scale here is apparent from a daily survey of the Maine media.

MHPC's conduct stands in sharp contrast to other groups engaged in the TABOR initiative. For example, a Maine Center for Economic Policy official has made numerous public appearances speaking on the measure and has filed the appropriate 1056-B report detailing these. By MHPC's conduct, it would seem that their compliance to reporting requirements is optional.

The larger, fundamental question raised by MHPC's conduct is, if is allowed to continue unquestioned, how it invalidates the public's interest in transparency in the political process. While other participants disclose their funding and contributions, MHPC is a cipher. By filing this complaint I want the Commission to make a formal determination as to whether this conduct is legitimate. If it is not, there are appropriate mechanisms to compel compliance to the various statutes. But if this conduct IS deemed legitimate, it will underscore the fact that the source and scope of this core support for TABOR is withheld from public scrutiny.

As per our earlier phone conversation, I ask that this complaint be raised at tomorrow's Commission meeting, and welcome your forwarding this to MHPC so that their officials may respond.

Please let me know if there is any additional information and/or documentation you might require to substantiate this complaint. As we discussed, the conduct and the issues raised are obvious and so I have kept this complaint brief and to the point so that the core issue of transparency in the political process is not obscured.

Sincerely,

**LAW OFFICE OF JOHN H. BRANSON, P.A.**
**183 MIDDLE STREET, 4TH FLOOR**
**P.O. BOX 7526**
**PORTLAND, MAINE 04112-7526**
**WWW.BRANSONLAWOFFICE.COM**

JOHN H. BRANSON*
JBRANSON@BRANSONLAWOFFICE.COM

TEL: (207) 780-8611
FAX: (207) 221-2203

*Admitted to practice in Maine, Massachusetts & the District of Columbia.

November 30, 2006

BY FACSIMILE, ELECTRONIC & FIRST CLASS MAIL
Jonathan Wayne
Executive Director
Maine Commission on Governmental Ethics & Election Practices
135 State House Station
Augusta, Maine 04333

**RE: Carl Lindemann/ Maine Heritage Policy Center**

Dear Executive Director Wayne:

I am writing in response to your letter to my client, Carl Lindemann dated November 29, 2006. While my client is appreciative of your initial consideration of the issues raised by Jean Ginn Marvin's continued membership on the Commission, he respectfully disagrees with your conclusion, specifically, that Ms. Ginn Marvin's continued service on the Commission does not present a conflict of interest requiring her to step down. At the outset, I note that you did not respond to one of the fundamental concerns raised in Mr. Lindemann's November 27th letter on this subject—that the pending complaint regarding the financial and campaign activities of the Maine Heritage Policy Center ("MHPC") pending before the Commission, and the new evidence recently presented, renders Ms. Ginn Marvin an extremely material witness by virtue of her position as *treasurer* and board member of the MHPC during the critical time period in question. I cannot conceive of any way to handle or investigate the current matter properly without taking Ms. Ginn Marvin's testimony, or without requesting her direct cooperation in the production of relevant financial documents in her possession, custody or control as treasurer of the investigated entity.

If the Commission decides to address and resolve this obvious conflict by not calling Ms. Ginn Marvin as a witness or subpoenaing documents in her possession, custody or control, then serious questions and concerns will unavoidably be raised in the mind of the public regarding the integrity of any investigation of the MHPC conducted by the Commission. If the Commission does what it should and subpoenas Ms. Ginn Marvin's testimony, along with documents in her possession custody and control as treasurer of MHPC, but *without* requiring Ms. Ginn Marvin to step down, then a different yet equally troubling impression will be created for the public with regard to the fairness and integrity of any investigation of the MHPC the Commission undertakes.

Finally, I wish to offer another compelling reason as to why Ms. Ginn Marvin's simple recusal from the pending investigation of the MHPC does not resolve the larger conflict created by her continued service on the Commission. You must be aware by now that the investigation of the MHPC in this matter will likely compel the Commission to examine the activities of other organizations to ensure their compliance with Maine law regarding campaign finance and reporting. Indeed, the MHPC has thus far made no secret that it seeks to distract and deflect attention from its own activities by suggesting to the Commission that other organizations were doing the exact same things that it was, without filing reports to the Commission. While I am not presently aware of any other organizations in Maine that have engaged in activities similar to those of the MHPC currently in question without establish a political action committee or filing the reports required under 21-A M.R.S.A. §1056-B, the MHPC has every right to ask the Commission to look into that. In the context of any and all future investigations of the activities of other organizations that flow from Mr. Lindemann's initial complaint, does Jean Ginn Marvin intend to actively preside and participate as a Commission member? Because the investigation of these other entities is such a critical aspect of the MHPC's strategy of defense in this case, and may ultimately affect the judgment of the Commission with regard to MHPC's activities, would not Ms. Ginn Marvin be required to recuse herself from all future investigation under 21-A M.R.S.A. § 1001 et seq. by virtue of her position as treasurer and board member of MHPC? Would not this be true whether or not Ms. Ginn Marvin ultimately decides to resign from her current positions with MHPC?

For the foregoing reasons, Mr. Lindemann's position is that, pursuant to 1 M.R.S.A. § 1002(2), Ms. Ginn Marvin cannot possibly serve with the required "objectivity" in the context of any investigations that the Commission may undertake in the arena of campaign finance and reporting under 21-A M.R.S.A. § 1001 et seq. Moroever, so long as Ms. Ginn Marvin remains on the Ethics Commission, the Commission will be unable to ensure, both in substance *and* appearance, a full, fair and impartial investigation of the current MHPC matter and all future matters regarding the campaign finance and reporting activities of other organizations subject to regulation by the Commission. Please understand that Mr. Lindemann's interest in this matter has now gone beyond the activities of MHPC of which he complained, in large measure owing to the very cool and unenthusiastic response to his initial complaint, and the fact that he was asked, as a precursor to any investigation by the Commission, to produce the kind of evidence that in theory could only be obtained by the Commission *as the result of* an investigation. For these reasons, Mr. Lindemann is interested not merely in ensuring that the laws are enforced in this particular case, but also that they be enforced for the benefit

# LAW OFFICE OF JOHN H. BRANSON, P.A.



of the public, and the integrity of the democratic process in Maine, in years and elections yet to come.

Thank you for your full and complete consideration of the concerns underlying Mr. Lindemann's position with regard to this matter.

Sincerely,

John H. Branson

cc: Carl Lindemann
Phyllis Gardner, Esq.
Daniel I. Billings, Esq.
Jonathan Crasnick

STATE OF MAINE
COMMISSION ON GOVERNMENTAL ETHICS
AND ELECTION PRACTICES
135 STATE HOUSE STATION
AUGUSTA, MAINE
04333-0135

November 29, 2006

Carl Lindemann
General Delivery
Calais, ME 04619

Dear Mr. Lindemann:

This letter is to respond on behalf of the Ethics Commission staff to your letter of November 27 regarding Jean Ginn Marvin's participation in the complaint you have brought against the Maine Heritage Policy Center (MHPC).

As you will recall, at the October 31 meeting Ms. Ginn Marvin recused herself from participating in Agenda Item #10 because she is on the MHPC board. Her recusal was not required under the Commission's statute or rules, but she voluntarily recused herself to avoid any perception that she had a conflict of interest. She intends to recuse herself from this issue at the December 12 meeting as it relates specifically to the MHPC.

In the view of the Commission staff, Ms. Ginn Marvin's membership on the MHPC board is not a conflict of interest that would require her to step down from the Commission. She was a member of the MHPC board when the Governor appointed her at the suggestion of legislative leadership, so apparently the issue was not viewed as a disqualifying conflict at the time of her appointment. In case you did not read them before writing your November 27 letter, I have attached 1 M.R.S.A. §1002(2) and (6) which address qualifications for Commission membership and prohibited activities.

Since Maine is not a populous state and members of the Commission are appointed by political leaders, members of the Commission occasionally have had political or other affiliations that have prevented them from participating in a particular matter. The appropriate remedy is recusal from that item, not disqualification from service on the Commission altogether. Disqualification would greatly reduce the number of people who would be eligible to serve on the Commission.

I also wish to respond to some comments by you and your advisor John Branson that have been conveyed to me by news reporters, because they reflect a misunderstanding of the Commission's operations. The employees of the Commission make recommendations and gather preliminary factual information independently of the Commission members. We believe we perform our jobs as civil servants best if we do not take into consideration the political or organizational affiliations of the members. As long as we are fair and even-handed, we believe we have the members' support in making these decisions independently. If the staff's actions to date regarding your complaint have appeared cautious, it has been in an effort to consider valid constitutional concerns, to receive comments from other affected organizations, and to provide the best advice to the Commission about an area of the campaign finance law that is relatively new and in need of clarification. Your complaint has been and will continue to be considered in an open-minded, impartial manner by the Commission staff and members.

I will include your November 27 letter and this response in the materials that the Commission considers for the December 12 meeting. Please feel free to raise any continuing concerns with the Commission members at that time, and to telephone me at 287-4179 if you have any questions about this response.

Sincerely,

Jonathan Wayne
Executive Director

cc: Daniel I. Billings, Esq.
Jonathan Crasnick
Phyllis Gardiner, Esq.
John D. Branson, Esq.

## §1002. Commission on Governmental Ethics and Election Practices

**1. Membership.**
[2001, c. 470, §1 (amd); T. 1, §1002, sub-§1, paragraph F (rp).]

**1-A. Membership.** The Commission on Governmental Ethics and Election Practices, established by Title 5, section 12004-G, subsection 33 and referred to in this chapter as the "commission," consists of 5 members appointed as follows.

A. By December 1, 2001 and as needed after that date, the appointed leader from each political party in the Senate and the appointed leader from each political party in the House of Representatives jointly shall establish and advertise a 30-day period to allow members of the public and groups and organizations to propose qualified individuals to be nominated for appointment to the commission. [2001, c. 470, §2 (new).]

B. By January 1, 2002 and as needed after that date, the appointed leader from each political party in the Senate and the appointed leader from each political party in the House of Representatives each shall present a list of 3 qualified individuals to the Governor for appointment of 4 members to the commission. The appointed leadership from each party in both bodies of the Legislature jointly shall present a list of 3 qualified individuals to the Governor for appointment of a 5th member to the commission. [2001, c. 470, §2 (new).]

C. By March 15, 2002, the Governor shall appoint the members of the commission selecting one member from each of the lists of nominees presented in accordance with paragraph A. These nominees are subject to review by the joint standing committee of the Legislature having jurisdiction over legal affairs and confirmation by the Legislature. No more than 2 commission members may be enrolled in the same party. [2001, c. 470, §2 (new).]

D. Two initial appointees are appointed for one-year terms, 2 are appointed for 2-year terms and one is appointed for a 3-year term, according to a random lot drawing under the supervision of the Secretary of State. Subsequent appointees are appointed to serve 3-year terms. A person may not serve more than 2 terms. [2001, c. 470, §2 (new).]

E. The commission members shall elect one member to serve as chair for at least a 2-year term. [2001, c. 470, §2 (new).]

F. Upon a vacancy during an unexpired term, the term must be filled as provided in this paragraph for the unexpired portion of the term only. The nominee must be appointed by the Governor from a list of 3 qualified candidates provided by the leader of the party from the body of the Legislature that suggested the appointee who created the vacancy. If the vacancy during an unexpired term was created by the commission member who was appointed from the list of candidates presented to the Governor by the leaders of each party of each body of the Legislature jointly, the nominee must be appointed from a list of 3 qualified candidates provided jointly by the leaders of each party of each body of the Legislature. Nominees appointed pursuant to this paragraph are subject to review by the joint standing committee of the Legislature having jurisdiction over election practices and legislative ethics and to confirmation by the Legislature. [2005, c. 295, §1 (amd).]

G. Upon a vacancy created by an expired term, the vacancy must be filled as provided in this paragraph. The nominee must be appointed by the Governor from a list of 3 qualified candidates provided by the leader of the party from the body of the Legislature that suggested the appointee whose term expired. When a vacancy is created by an expired term of the commission member who was appointed from the list of candidates presented to the Governor by the leaders of each party of each body of the Legislature jointly, the nominee must be appointed from a list of 3 qualified candidates provided jointly by the leaders of each party of each body of the Legislature. Nominees appointed pursuant to this paragraph are subject to review by the joint standing committee of the Legislature having jurisdiction over election practices and legislative ethics and to confirmation by the Legislature. [2005, c. 295, §1 (amd).]

H. For the purposes of this subsection, "political party" has the same meaning as "party" as defined by Title 21-A, section 1, subsection 28. [2001, c. 470, §2 (new).]

[2005, c. 295, §1 (amd).]

**2. Qualifications.** The members of the commission must be persons of recognized judgment, probity and objectivity. A person may not be appointed to this commission who is a member of the Legislature or who was a member of the previous Legislature, who was a declared candidate for an elective county, state or federal office within 2 years prior to the appointment, who now holds an elective county, state or federal office, who is an officer of a political committee, party committee or political action committee or who holds a position in a political party or campaign.
[2005, c. 271, §1 (amd).]

**3. Oath.** Each member shall, within 10 days of his appointment, take an oath of office to faithfully discharge the duties of a commissioner in the form prescribed by the Constitution. Such oath shall be subscribed to by the commissioner taking it, certified by the officer before whom it is taken and immediately filed in the Office of the Secretary of State.
[1975, c. 621, §1 (new).]

**4. Legislative per diem.** The members of the commission are entitled to receive legislative per diem according to Title 5, chapter 379.
[IB 1995, c. 1, §2 (amd).]

**5. Employees.** The commission shall employ an executive director and such other assistance as may be necessary to carry out its duties. The commission also shall retain a general counsel or a computer analyst as an employee of the commission, based on the staffing needs of the executive director. If the commission employs a general counsel, the general counsel may not hold any other state office or otherwise be employed by the State. The commission shall select the executive director by an affirmative vote of at least 4 commission members.
[2003, c. 381, §1 (amd).]

***6. Prohibited activities.*** *A member of the commission may not engage in political fund-raising to promote the election or defeat* of a candidate, passage or defeat of a ballot measure or endorse a political candidate. This prohibition does not apply to fund-raising for campaigns or endorsement of candidates at the county or municipal level or out-of-state nonfederal elections.
[2005, c. 271, §2 (new).]

MRSA , §T.1 SEC 1002/1/F (AMD).
PL 1975, Ch. 621, §1 (NEW).
PL 1983, Ch. 812, §1 (AMD).
PL 1989, Ch. 503, §B1 (AMD).
PL 1991, Ch. 86, § (AMD).
PL 1991, Ch. 880, §1 (AMD).
IB 1995, Ch. 1, §1,2 (AMD).
PL 2001, Ch. 430, §1 (AMD).
PL 2001, Ch. 470, §1-3 (AMD).
PL 2003, Ch. 381, §1 (AMD).
PL 2005, Ch. 271, §1,2 (AMD).
PL 2005, Ch. 295, §1 (AMD).

**Carl Lindemann**

P.O. Box 2228
Cedar Park, Texas 78630

Phone: 512-528-1516; 207-318-7093 (cell)
Email: Carl@cyberscene.com

RECEIVED
NOV 28 2006
COMMISSION ON GOVERNMENTAL ETHICS & ELECTION PRACTICES-AUGUSTA, ME

November 27, 2006

BY FACSIMILE, ELECTRONIC MAIL & FIRST CLASS MAIL
Jonathan Wayne
Executive Director
Maine Commission on Governmental Ethics & Election Practices
135 State House Station
Augusta, Maine 04333

RE: Maine Heritage Policy Center/Jean Ginn Marvin

Dear Mr. Wayne,

Following the meeting of the Commission on October 31st, I was shocked to discover that Commission Chair Jean Ginn Marvin has a far more involved relationship with Maine Heritage Policy Center than was previously known to me. In addition to serving on the Board of Directors of MHPC, she currently serves as that organization's Treasurer. In light of the nature of the pending complaint against MHPC before the Board, and the new evidence presented, Ms. Ginn Marvin's testimony before the Commission will be unavoidable in the context of any reasonable investigation into MHPC's finances. Even if she is somehow not deemed by the Commission to be relevant witness, there can be no dispute about her inability to be impartial in this matter. For these reasons, Ms.Ginn Marvin must not be permitted to participate in any investigation, deliberation or decision-making by the Commission in the context of the pending complaint against the MHPC, nor can she be permitted to have access to, or be privy to, any internal discussions, investigation, documents or deliberations within the Commission about this matter.

It also plainly apparent that a simple recusal by Ms. Ginn Marvin in this case is insufficient to fully address and remedy the appearance of impropriety flowing from her position as Chair of the Commission. How can it be that Ms. Marvin is permitted to hold the position of Chair of the Commission on Governmental Ethics & Election, while contemporaneously serving as board member and treasurer of an organization whose activities are subject to regulation by the Commission? Does not this obvious conflict compel Ms. Ginn Marvin to resign her post as Chair of the Commission, or, alternatively, to immediately resign her position as Treasurer and Board Member of MHPC? I respectfully request that you and the Commission members carefully consider these questions and take the appropriate action.

Thank you for your prompt consideration of and attention to this important matter.

Sincerely,

Carl Lindemann

Carl Lindemann

DEMOCRACY MAINE

*Maine Voices Against Extremism*

November 27, 2006

Maine Commission on Governmental Ethics and Election Practices
135 State House Station
Augusta, ME 04333-0135

**Re: Lindemann complaint against the Maine Heritage Policy Center**

To Members of the Commission:

Thank you for the opportunity to speak on this matter. I am here on behalf of Democracy Maine, a 501 C4 nonprofit organization. I would like to begin by explaining the reasons behind Democracy Maine's involvement with Mr. Lindemann's complaint. Over a year and a half ago, Democracy Maine was formed with the mission to expose and combat political extremism and its impact on democracy. Mr. Lindemann's complaint received our support because we feel the Maine Heritage Policy Center's (MHPC) attempts to influence and advocate for the passage of the Taxpayer Bill of Rights (TABOR) while ignoring campaign finance requirements is itself a form of extremism and have raised uncertainty and lowered confidence in Maine's referendum process.

Mr. Lindemann and Democracy Maine have come before the Ethics Commission because the Commission exists to protect the democratic integrity of the election process. It does this in part through its filing requirements so that the amounts and sources of funding involved in elections can be made known to the public. Disclosure of the amounts and sources of funding by groups advocating for or against a referendum is essential to ensure that voters are fully aware of who or what organization is behind the passage or defeat of a particular measure, which in turn can impact a voter's decision on how to vote. When groups refuse to disclose their financial involvement and blatantly lie to the Ethics Commission about the full extent of their activities and motives, the process is eroded. This Commission has a responsibility to Maine voters to fully investigate MHPC's involvement with and activities related to the Taxpayer Bill of Rights campaign including subpoenaing financial information that show what funds MHPC raised and spent – through cash expenditure or in-kind contributions such as staff time – to advocate for the passage of TABOR.

When this issue was last before the Commission on October 31, there was much debate over how to classify MHPC's role in the battle to enact TABOR. Mr. Lindemann accused MHPC of acting as a Political Action Committee (PAC) whose mission was to promote TABOR in debates, speeches, and published reports. Democracy Maine questioned MHPC's failure and refusal to file a 1056-B form required from groups other than PACs that raise money and spend more than $1,500 attempting to influence the outcome of an election. Bill Becker of MHPC and his council Dan Billings denied that MHPC was a PAC and denied having to file a 1056-B arguing that MHPC never took part in direct public advocacy for the passage of TABOR. In response to those claims I have submitted well over 50 pages of newspaper articles along with press releases, op-eds, and reports published by MHPC that demonstrate again and again the group's mission to promote the passage of TABOR.

MHPC has denied being a PAC and denied having to file a 1056-B, but a reasonable review of the attached materials will demonstrate that MHPC's mission since authoring the model legislation that became TABOR has been to advocate the passage of that legislation. It is up to Maine Ethics Commission to investigate MHPC to fully ascertain the extent of MHPC's attempts to influence TABOR's outcome. We believe that an investigation will show that the MHPC spent thousands of dollars, perhaps tens of thousands of dollars, of staff time and other expenses promoting TABOR, including the commissioning of a public opinion survey by Critical Insights of Portland, which was then publicized in an effort to influence the outcome of the election. None of these expenses were reported, not by the MHPC or by the pro-TABOR campaign organization which clearly benefited, at least in-kind, from MHPC's campaign activities.

All of this information, we believe, is enough to justify a full investigation into the activities of the MHPC in working to enact TABOR. But subsequent to the Commission's last meeting, further information has come to light that makes even more imperative that the Commission launch a full inquiry.

Mr. Lindemann has come into contact with and submitted new evidence to this Commission that further demonstrates MHPC's attempts to deceive Maine voters and secretly influence a Maine referendum question by ignoring and circumventing Maine election laws.

In an October 24th letter to the Maine Ethics Commission, Dan Billings responded to Mr. Lindemann's complaint. Mr. Billings wrote:

> *MHPC is not a political action committee ("PAC") as defined by 21-A M.R.S.A. 1052. MHPC is not a segregated fund established with the purpose of influencing an election. MHPC is a not a funding or transfer mechanism for a campaign. Its major purpose is not advocating the passage of a ballot question. It has not solicited or received any contributions to influence the outcome of a referendum campaign. It should be noted that other similar organizations, such as the Maine*

## EXAMPLES OF THE MAINE HERITAGE POLICY CENTER PROMOTING TABOR IN INTERVIEWS AND OP-EDS

**The sky won't fall if TABOR passes**
**Monday, October 30, 2006 - Bangor Daily News**
**By Geoffrey F. Segal**

Opponents of the Taxpayer Bill of Rights must have thought Halloween came early this year. They've begun rolling out the scare tactics — some truly frightening pictures of what "would" happen should Maine taxpayers place reasonable controls to government spending on Nov. 7.

While they stopped short of saying that people will die, bridges will collapse and schools will close, they have suggested that public safety and popular programs are the first to go.

In Washington, this publicity stunt is commonly known as the Washington Monument Syndrome where when faced with cuts the National Parks Service talks about closing the Washington Monument. These choices are a classic "straw man" tactic: vote to give up more of your hard-earned money to the government or vital services will be slashed and burned! But it is a false choice, and voters should not be fooled.

While fear-mongering may be a brilliant communications and public relations strategy, it is not an accurate depiction of the situation. For starters, if TABOR passes, no cuts will be needed. Government spending, at every level, will continue to increase, although perhaps not at the level that government has become accustomed to.

What's worse is that by suggesting that important services would be the first to go suggests that these programs are less important than everything else government does. Further, this rhetoric presupposes that every dollar spent by Maine's governments is both spent well and effectively.

While many government services in Maine may be performed efficiently, there is always room for improvement. In addition, over the years governments have taken on new responsibilities and started new programs. Rarely do old programs get phased out or eliminated. Could there be some functions government can stop providing to make room for new programs?

It is important to point out that the opposition to TABOR is coming from the big government status quo. These groups like the Maine State Employees Union, Maine Municipal Association and the State Chamber of Commerce do not want to see government spending reform because they personally benefit from government continually increasing taxes on Mainers. The deception that they are employing against TABOR should be appalling to every Maine citizen.

This status quo group has a track record of promising to control government spending and lower taxes, but never delivering. Last legislative session, this big government coalition promised historic tax relief with the passage of LD 1. That bill never delivered the spending restraint and promised tax relief. Now the same group is a citizen initiative that will accomplish what they failed to deliver.

TABOR will force policy-makers to get serious about spending reform. In turn, Mainers will finally see real tax relief.

There are plenty of examples of effective spending reform efforts that target government waste so that those resources can be better spent by on priority programs. Texas utilizes performance-based budgeting to identify the most effective and efficient programs and budget its appropriations accordingly. In addition, they regularly evaluate state agencies for purpose and effectiveness often eliminating or merging programs — resulting in billions in savings over time. The effort fully funds effective public services and helps ensure a higher quality of life.

Washington state and South Carolina use a "priorities of government" model to rank all government services by activity — rather than rigid agency structure — and "purchases" all activities from the top of the list down until available revenues are depleted. The least important or least effective programs are considered lower priorities — much the same as the way families spend their scarce dollars on the most important things and put off buying luxuries they can't afford until a later date.

Each of these approaches places an emphasis on performance and results, rewarding governmental services that best meet citizens' needs and weeding out ineffective and low-priority programs. Note that this improves the quality of public services while eliminating government waste.

Maine needs a fundamental change in its budgeting process and a serious evaluation of its priorities. A process that emphasizes program performance and providing higher-priority services would improve Mainers' quality of life while continuing to protect their pocketbooks. It is time for government to focus on better delivering government services, instead of preying on people's fears.

Despite what public officials are claiming, the sky will not fall and Maine will not disintegrate if TABOR passes. Children will still be well educated, fires will be put out and police will still protect Maine communities.

*Geoffrey F. Segal is the director of government reform at Reason Foundation and an adjunct scholar at the Maine Heritage Policy Center. The author can be reached at geoffrey.segal@reason.org.*

**TABOR 'a nightmare' for health care, officials say, Portland Press Herald, October 30, 2006**

**By Josie Huang -- Thousands of low-income Mainers could lose health care coverage, Portland's elderly could be asked to leave the Barron Center and nonprofit organizations that help the state's most vulnerable residents could face major deficits.**

That's what health and social service agency officials predict for Maine's health care system if voters approve Question 1 on the Nov. 7 state ballot. Also known as the Taxpayer Bill of Rights, the referendum question proposes limits on government spending increases.

"TABOR," said Doug Gardner, director of Portland's Health and Human Services Department, "sounds like it would be a nightmare."

But the initiative's sponsors say such alarm is over the top. TABOR, they say, simply tries to keep state, county and town spending increases to the rate of inflation plus population change.

Worst-case scenarios, TABOR supporters point out, don't acknowledge that residents could override the law's spending limits or that a rainy-day fund is available.

Should health care be deemed a priority, then elected officials and voters can make sure it receives adequate funding, said Tarren Bragdon, health policy analyst at the Maine Heritage Policy Center. The center drafted the ballot question.

Bragdon added that it would not be a bad thing if the state moves to reduce the Medicaid program, which provides health insurance to 267,000 Maine people. That is a fifth of the population -- one of the highest rates in the country.

"I think what TABOR is trying to do is put reasonable limits on the growth of government so Maine is not such an outlier," Bragdon said.

Advocates for low-income, elderly and mentally ill Mainers counter that the Medicaid program is essential. To them, fitting health care spending into TABOR's formula would force widespread cuts to vital services.

Anti-TABOR groups such as the Maine Medical Association, a professional organization for doctors, note that medical inflation grows at a rate twice that of general inflation. Driving the trend are expensive innovations in technology and medication, and an aging population that is using more services than ever.

Colorado adopted a constitutional amendment in 1993 similar to the law proposed here. TABOR critics say the quality of health care suffered there. Food safety programs, child care center inspections and air monitoring were cut more than 30 percent between 2002 and 2004, the anti-TABOR Bell Policy Center reported.

Ana Hicks of Maine Equal Justice, an advocacy group for low-income residents, said she is worried that Maine's safety net would weaken under TABOR.

Had TABOR been in place, according to her group, the state wouldn't have been able to step in to help cover prescription drug costs for elderly and disabled people when there were problems with the launch of the new Medicare Part D prescription drug program earlier this year.

And if Medicaid -- known as MaineCare in Maine -- is cut, thousands of people no longer would be able to seek preventive care, she said.

"Conditions would worsen and they would have to turn to the emergency room for care," said Hicks. The burden of providing charity care, in turn, would force hospitals to make up their losses with higher charges for privately insured patients, she said.

In Maine, more than 61,000 people stand to lose Medicaid, according to projections from Gov. John Baldacci's administration, which opposes TABOR.

That assumes state government would make good on a promise to fund education at 55 percent, said Ryan Low, the state budget officer. If cuts are ordered proportionate to the size of departments, Health and Human Services would have to find $50 million to shave from its next biennial budget, in addition to dropping a request for a $300 million-plus increase, Low said.

TABOR supporters say the state doesn't have the money to fund the department's request, with or without TABOR. Low countered that as part of normal policy-making, legislators decide what should get funding and make cuts so they can better fund top priorities. TABOR just makes that more painful, he said.

"It would force larger cuts," Low said.

Kevin Baack, executive director of Goodwill Industries of Northern New England, said he supports TABOR and is confident that legislators will make the funding of programs that help the needy a priority. Goodwill serves more than 500 people with severe mental illness, mental disabilities and brain injuries through its group homes and other programs.

Acknowledging that TABOR could result in a smaller Medicaid budget, Baack said he is against "across the board" cuts. But he proposed tightening eligibility so the program is reserved for people who need it most.

"I would support a residency requirement," Baack said. "The state could provide services to folks after they've been here for three months."

Baack is the rare nonprofit executive speaking out in support of TABOR. He said others in his field agree with him but are silent for fear of backlash from the state should TABOR fail.

Other nonprofits say that nothing good can come out of TABOR for their clients. Independence Association, which runs 15 group homes and other services for mentally disabled people in Maine, said it already is experiencing tight finances now.

Medicaid payments over the last several years have not increased with the cost of living, said Chief Executive Office Jim Pierce. His nonprofit organization has found savings by consolidating job positions and increasing employees' health insurance costs, he said.

"We're in a situation where we're not really being funded at the level that meets the need now," Pierce said. "Whatever funding reductions came about because of TABOR would just exacerbate the problems."

The same budget worries extend to the few communities in Maine large enough to have their own health and human services departments, such as Portland.

Without overrides of TABOR's spending limits in the first year, Gardner said, the city would not be able to maintain two of its programs: an office that provides adult day programming and outreach to elderly shut-ins, as well as the maternal and child program, which sponsors play groups and home visits by nurses. Sixteen positions would be eliminated.

Also, in the first year, $100,000 would be cut from general assistance, bringing the budget to about $300,000.

Gardner said more casualties would come later: The Barron Center, which serves more than 200 elderly people and employs more than 300, would have to close in 10 years.

He questioned whether all the Barron Center residents, especially those who need round-the-clock supervision for Alzheimer's disease or dementia, would find new placements in the Portland area.

"It's a mission-driven facility, and we do take folks there that might otherwise not have a place to go," Gardner said.

The city has come out against TABOR, as has the Maine Association of Nonprofits. The Maine Hospital Association is part of a coalition of statewide organizations that has come out with an alternative tax reform plan to TABOR.

**Groups to offer TABOR substitute, Portland Press Herald, October 18, 2006**

**By Trevor Maxwell -- Three of Maine's largest lobbying groups are expected today to propose an alternative to the proposal known as the Taxpayer Bill of Rights.**

The Maine State Chamber of Commerce, the Maine Education Association and the Maine Municipal Association will have three weeks to persuade voters that the alternative makes sense, and they should reject the proposal on the Nov. 7 ballot so a substitute measure can be crafted.

The alternative is based on research by staffers at the organizations, and on a document written by a former gubernatorial candidate, state Sen. Peter Mills, R-Skowhegan.

Mills said the plan combines the best elements of TABOR and LD1, the law previously enacted by voters to control property taxes and boost state aid to schools.

Geoff Herman of MMA, Mark Gray of the MEA and Chris Hall of the chamber were the principal collaborators, Mills said.

"This is exactly what the state needs," Mills said Tuesday. "It is a proposal that the local people can live with."

Supporters of TABOR said they would not support any alternative plans, and they criticized the Maine State Chamber for not endorsing TABOR, as had been expected.

"The groups that are allegedly partnering to create this 'alternative' are the same people that have caused Maine's government spending problem to begin with," said Bill Becker, president of the Maine Heritage Policy Center, which drafted the TABOR proposal.

"The same people were making the same pleas two years ago for voters not to approve the property tax cap," Becker said. "We were promised historic and unprecedented relief. It didn't happen."

The chamber took a position against the so-called Palesky tax cap and helped craft a compromise that ended up as part of LD1 a year later.

Commonly known by its acronym TABOR, sponsors say it would limit state, county and town spending increases to the rate of inflation plus population change. Budget increases for school districts would be tied to inflation and enrollment. Voters could override the limits, and they would also be called on to approve any tax or fee increases.

The Maine State Chamber, which represents about 5,000 businesses, devoted at least five meetings and hundreds of staff hours to TABOR. Chamber President Dana Connors said Sept. 27 that the executive board was leaning toward supporting TABOR, primarily because members could not endorse the status quo. But at the time, Connors said he would continue to seek alternatives in collaboration with MMA, MEA and other groups.

Connors declined to be interviewed Tuesday, saying he would wait for two chamber press conferences scheduled for today in Bangor and Lewiston.

Mills said that while the chamber board was holding discussions with various stakeholders, he and Rep. Dick Woodbury, a Yarmouth independent, discussed legislative proposals that would share the same goals as TABOR. Mills drafted several principles that could be adopted by legislative rule, and he circulated the ideas to leadership at the MMA.

The heart of Mills' concept: Keep the government spending limits imposed by LD1, but give the law teeth by adding one of the voter approval requirements proposed in TABOR. Mills also suggested dropping the voter approval required by TABOR for any local tax increase, which he said would "unduly shackle local governments."

Officials from the chamber, MMA and MEA met Oct. 5 at the Cumberland Club in Portland, Mills said. The alternative plan was ready, but an announcement was postponed until after the MEA board meeting this weekend and a vote by the chamber's executive board Monday night.

Mark Gray, executive director of the MEA, said members spent most of the weekend talking about TABOR, but he would not comment on any alternative plan. Through donations arranged from the National Education Association, the MEA has contributed at least $646,000 to the anti-TABOR campaign, or roughly 70 percent of the total raised. The MMA is also a major contributor.

"We are definitely going to be there and be supportive," Gray said of today's press events.

Mary Adams, leader of the political action committee supporting TABOR, issued a press release Tuesday that was sharply critical of the chamber.

"Unfortunately, 90 percent of Maine businesses are small businesses, and this 11th-hour desperation maneuver would hurt them the most," Adams said. She noted recent endorsement from the Maine chapter of the National Federation of Independent Business, the Portland Regional Chamber of Commerce and others.

Outgoing House Speaker John Richardson, D-Brunswick, said neither he nor Senate President Beth Edmonds, D-Freeport, were asked to participate in any discussions about an alternative.

"It would be more appropriate for legislators on a bipartisan basis to take this up on the first day of the session," said Richardson, who opposes TABOR. He said there is no reason the next Legislature could not enact further tax reform, using LD1 as a foundation.

**Doctor: TABOR puts care at risk, Portland Press Herald, October 12, 2006**

**By Trevor Maxwell -- A Colorado pediatrician said Wednesday that the Taxpayer Bill of Rights in his state caused widespread cuts to health care, and he urged Mainers not to adopt similar legislation.**

"I came here because Maine's programs for children really will be threatened if TABOR is enacted," said Steve Berman, a professor of pediatrics at the University of Colorado School of Medicine, and head of a global child health initiative.

Supporters of the proposed spending cap in Maine criticized Berman for using selective data, and said that improving Maine's economy will result in healthier communities.

"Maine has some of the highest rates of people on Medicaid and people on food stamps," said Roy Lenardson, who is managing the campaign to pass the spending cap. "Is that the kind of model that we should be proud of?"

Commonly known by its acronym TABOR, the spending cap proposal will appear as Question 1 on the Nov. 7 statewide ballot. Sponsors say it would limit state, county and town spending increases to the rate of inflation plus population change. Budget increases for school districts would be tied to inflation and enrollment. Voters could override the limits, and they would also be called on to approve any tax or fee increases.

The TABOR plan that was adopted by Colorado voters as a constitutional amendment in 1992limits the amount of revenue government could collect.

Berman, speaking at a press conference in Portland, said the caps led to higher rates of uninsured children, lower immunization rates, and less prenatal care, among other effects.

Joining Berman were David Friedman, founder of Sandy River Group, Michael Tyler, president of Sandy River Health System, and Kitty Purington, an advocate for the Maine Association of Mental Health Services.

"We will see long-term care facilities close," especially in rural areas, Tyler said. Sandy River is a company that provides long-term medical care, rehabilitation and other services at 11 facilities in Maine.

Rep. Thomas Shields, R-Auburn, a retired physician, disagreed. He finds nothing in the proposal that would negatively affect health care in Maine.

"If Mainers want to spend above the growth targets, there is a mechanism that allows for them to spend more," Shields said in response to the claims made at the press conference. "The bill does not dictate how Maine policymakers prioritize their budget."

Berman described trends in Colorado and predicted Maine's law would lead to similar results. For example, the percentage of low-income children without health insurance rose from 16 percent to 32 percent between 1992 and 2004, Berman said. That was largely the result of caps on enrollment for state aid programs, he said.

He and other health care professionals were part of the successful fight last year to suspend the TABOR limits at the state level. Colorado residents voted to forgo tax refunds under TABOR for the next five years, in favor of increased state investment in health care, education and transportation.

Berman, a past president of the American Academy of Pediatrics, was brought to Maine by two organizations that oppose TABOR: The Maine Center for Economic Policy, based in Augusta, and the Center on Budget and Policy Priorities, based in Washington, D.C.

Tarren Bragdon, a health care expert for the Maine Heritage Policy Center, disputed Berman's findings. The center drafted the Maine proposal.

"Fundamentally, if you look at the most recent data, not just select years, it tells a completely different story," Bragdon said.

Berman said Colorado dropped from 24th to 50th in the country for the percentage of children receiving full vaccinations. Colorado ranked last for immunization coverage in 2002 and 2003, according to the Colorado Health Institute, a nonprofit based in Denver.

But, Bragdon countered, Colorado climbed the immunization ladder to rank 16th last year, with 83 percent participation. Maine also reported 83 percent participation.

"It seems to me that Colorado, under a Taxpayer Bill of Rights, is doing a good job of keeping their children vaccinated," Shields said.

Lenardson said Maine has a higher percentage than Colorado of children and elderly residents living in poverty, and families on food stamps, according to several reports, including state rankings published by the Kansas-based Quitno Press.

"While Maine is managing more people in poverty, Colorado has been managing growth since TABOR passed," Lenardson said.

**Study: TABOR will not cut taxes, Portland Press Herald, October 4, 2006**

**By Trevor Maxwell -- In a study released on Tuesday, opponents of the spending cap known as the Taxpayer Bill of Rights questioned the proposal's ability to reduce taxes, which is the core intent of the drafters.**

"This is false advertising. TABOR would not create a sustainable reduction in property taxes," said researchers at a Washington D.C.-based think tank. The Center on Budget and Policy Priorities said property taxes could rise in many towns, based on voters' reaction to similar legislation in Colorado.

Supporters of the spending cap dismissed the findings of the study as biased, part of a campaign to scare Maine voters.

The study brings into focus a key question in the month leading up to the election: What effect would TABOR have on property taxes for Maine residents?

Basically, sponsors say, towns and counties and the state would have to base spending increases on inflation plus population change. School budgets would be tied to inflation and enrollment.

If a town wanted to override the limits, the proposal would need approval from a two-thirds' majority of the governing body, like a city or town council. The increase would then have to gain approval from a majority of all voters. Voters also would be called on to approve any tax or fee increases.

Some critics have said that would require voter approval for any increase in revenue, regardless of the growth limits set by TABOR.

At the end of each fiscal year, any revenue surplus would be split up, with 80 percent for tax relief and 20 percent for a state rainy day fund.

The premise is simple -- less spending requires fewer tax dollars -- said J. Scott Moody, economist for the Maine Heritage Policy Center, which drafted the proposal.

"The whole idea is to control spending, so in the long run taxes can be controlled, and Maine can be brought into line with the national average for tax burden," Moody said.

A recent report by the Federal Reserve Bank of Boston ranked Maine in the bottom five states in several key measures of tax burden.

Moody has projected tax savings that would total at least $142 million for fiscal year 2007-08, if TABOR passes. That works out to about $200 per household, with the projection climbing to about $2,000 within a decade.

"Eighty percent of all revenue in excess of allowable spending must be rebated to the taxpayers," Moody said. "That is tax relief."

The study released on Tuesday painted a different picture. It was produced by the Center on Budget and Policy Priorities, a liberal think tank that examines public policy, particularly on issues affecting low- and moderate-income families.

The center has been working with the Maine Center for Economic Policy, which opposes TABOR.

Based on the history of the TABOR law in Colorado, the authors project substantial reductions in state investments for education, public safety, roads and other services in Maine.

"Residents faced with deteriorating services would likely respond by voting to override the TABOR limit -- thereby maintaining or even increasing local property taxes. This is what happened in Colorado," wrote Karen Lyons and Iris J. Lav.

When state aid decreased in Colorado, towns had the option of living with reduced service levels or raising local taxes, the authors said. Many opted to raise taxes.

Colorado voters adopted the Taxpayer Bill of Rights in 1992, and last year voted to suspend the state spending limit for five years.

Politicians, however, disagree on whether the measure has been a success or a failure. TABOR was a constitutional amendment in Colorado. As proposed in Maine it is legislation and would be subject to changes by the Legislature.

The Center on Budget and Policy Priorities has produced several studies criticizing TABOR in Colorado and discouraging similar legislation nationwide.

"In Maine, you do have more reliance on local property taxes to fund services," Lav said during a telephone interview on Tuesday. "TABOR would lock in that overreliance, because the state would have its hands tied behind its back."

"Other states have successfully implemented property tax relief that has lowered property tax bills without hurting public services, and none of these required enacting a TABOR," Lyons and Lav wrote.

**TABOR debate focuses on cuts**

**By David Farmer**, *Staff Writer*
Friday, September 15, 2006

AUBURN - Two of the state's policy behemoths battled over breakfast Thursday in a TABOR debate sponsored by the Androscoggin County Chamber of Commerce.

Bill Becker from the Maine Heritage Policy Center and Kit St. John of the Maine Center for Economic Policy brought their traveling Taxpayer Bill of Rights show to Martindale Country Club in Auburn.

They played to a packed house. The debate, which was part of the chamber's regular breakfast meeting, was sold out weeks in advance and attracted a standing-room only crowd of almost 250.

For the political leaders and activists in the room, the show was a rerun of the arguments about TABOR that have been playing out at policy forums for months.

But for much of the crowd - the small business owners who make up the majority of the chamber's membership - it was an introduction to the intricacies of the citizen initiative that would strictly limit local and state spending and taxation, and require a two-thirds vote of a city council or board of selectmen and then a referendum to override the restrictions.

The format was straightforward. The chamber's policy advisory committee developed a list of questions that each man had a chance to answer before they took written questions from the audience.

The central theme of all the questions centered around whether TABOR would require cuts in municipal and school budgets or whether it simply mandates the ability of the budget to grow.

Speaking in favor of TABOR, Becker said that there's nothing in the proposed law that would force budgets to move backward.

"This limits growth, but does nothing more," Becker said. "It gives taxpayers greater say in how much government can grow."

St. John, who spoke against TABOR, said the question of whether the bill would require cuts is a central disagreement between proponents and opponents. "The conclusion of most municipal attorneys is that they would have to adjust budgets down if they lose population or assessed value."

St. John used the example of Old Town, which lost a substantial amount of its valuation due to the closing of the Georgia Pacific mill. "Old Town had a reduction of value of 17 percent," he said.

The issue remained unsettled, with both sides urging people to read the bill and decide for themselves.

Bob Bernier of Auburn walked into the debate with a favorable opinion of TABOR and left the same way.

Bernier, who is a member of the Small Property Owners Association of Auburn, said he has read the proposal and thinks it's a valuable step in controlling government growth, but said for people who haven't made up their minds, it might boil down to whose information they're going to believe.

The hourlong debate also addressed questions about the bill's particulars and left unresolved some of the finer points that will either be in the hands of lawmakers or the courts.

At its core, TABOR is based on a constitutional amendment that was adopted by Colorado voters in 1992. In 2005, voters suspended parts of the amendment for five years, allowing the state to exceed spending caps.

Maine's version of the law has a two-step process for voters to override spending limits set by formulas, which are based on the Consumer Price Index, population and valuation, and on increasing taxes and fees. First, the governing body - a city council, board of selectmen or town meeting - would have to approve the increase by a two-thirds vote. Then the override would have to be approved by a referendum.

St. John argued that the proposal creates minority rule, where just a few people can block a vote from ever reaching the community. Becker countered that TABOR is all about giving power to the taxpayers.

"The Taxpayer Bill of Rights is very generous," Becker said, "because not only does it allow for growth, but it asks individual communities, 'What do you want to do?'"

According to St. John, the evidence of what TABOR will mean to Maine is in Colorado.

"There were more than 1,100 groups involved in their campaign to suspend TABOR," St. John said, citing big cuts in public support for higher education, infrastructure and other government services.

Larry Gilbert, former chief of police in Lewiston and a potential mayoral candidate in the city, attended the chamber breakfast.

"Once people hear how the bill will impact them, TABOR will lose support," Gilbert said. "The services that people want have a cost. ... As the speakers said, people are angry, but decisions that are made in anger aren't usually good decisions."

Chip Morrison, president of the chamber, said the large crowd demonstrated the interest in TABOR.

"This is a huge issue," Morrison said. "It's helpful to a lot of people who haven't heard any of this before."

The chamber will decide later this month whether to take a position on TABOR or remain neutral, Morrison said.

TABOR will be on the Nov. 7 ballot as Question 1.

**Wednesday, September 13, 2006**

**TABOR backers tout new analysis**
**By TREVOR MAXWELL**
**Blethen Maine Newspapers**

Authors of a proposed spending cap say the average Maine household would save $500 during the first year of the bill, and thousands of dollars in future years, if voters approve the measure on Nov. 7.

Opponents of the cap, known as the Taxpayers Bill of Rights, or TABOR, say the predictions are simply wrong.

The report released Tuesday by the Maine Heritage Policy Center was the latest move in an intensifying campaign to persuade voters to either adopt or defeat the cap.

If the cap passes, the report says, the annual savings figure would climb to more than $2,500 per household within the next decade. That additional disposable income would result from a combination of tax savings and higher wages from economic growth, it says. The report used a computer model to forecast what might happen.

"The Taxpayer Bill of Rights, at the end of the day, is going to mean more money in the pockets of the average Mainer," said J. Scott Moody, chief economist and vice president of policy for the Maine Heritage Policy Center, which began drafting the proposal two years ago.

The computer model that formed the basis of the report was created by the Beacon Hill Institute, a free market-based think tank affiliated with Suffolk University in Boston.

Opponents said the report is not valid because it draws on a selective number of factors and assumptions, while ignoring others.

The center is "dead wrong in its conclusion that TABOR will increase economic growth," said Larry Benoit, spokesperson for Citizens United, which opposes the measure.

"In fact, it's just the opposite," Benoit said in a statement. "TABOR will slow economic growth in Maine, due to declining investment in essential public works, transportation infrastructure, education and other vital programs and services that support Maine's economy."

The Taxpayer Bill of Rights will appear as Question One on the Nov. 7 statewide ballot.

Under the proposal, towns and counties would have to base spending increases on inflation plus population change, or on the change in overall property values, whichever is lower.

Spending at the state level would be tied to inflation and population increases. School budgets would be tied to inflation and enrollment.

If a town wanted to override the limits, any spending increase would have to be approved by a two-thirds majority of the governing body, such as a city council or town meeting. The increase would then have to gain approval from a majority of all voters.

At the end of each fiscal year, any state revenue surplus would be split up, with 80 percent for tax relief and 20 percent for a state rainy day fund. In the report released Tuesday, Moody says the Taxpayer Bill of Rights would steer Maine toward the national average in terms of individual tax burden.

A recent report by the Federal Reserve Bank of Boston ranked Maine in the bottom five states in several key measures of tax burden.

If the bill is adopted by voters, personal income in Maine would grow by $178 million in fiscal year 2008, according to Moody.

The number of jobs would increase by about 4,400 and economic investment would grow by $10 million in the first year, he said. The report only projected the effect of lower state taxes.

Lower local property taxes will boost those estimates, Moody said.

Christopher St. John, director of the Maine Center for Economic Policy, said he and his staff are reviewing the report. St. John, who opposes the bill, said the

Beacon Hill Institute is known for a free-market ideology, and is not a neutral party.

"Their stance undermines the credibility of the modeling," St. John said.

**Gingrich calls for hard line with Iran, Bangor Daily News, September 7, 2006**

**By A.J. Higgins -- South Portland, While Iranian officials continued Wednesday to dodge discussions about their nuclear ambitions, former U.S. House Speaker Newt Gingrich insisted now is the time to take a hard line against the Islamic theocracy.**

"We have real enemies and they would like to kill us," said the Georgia Republican during his visit to Maine. "They say that every day. Iranian President Mahmoud Ahmadinejad says that he can imagine a world where Israel and the United States no longer exist. Well, we better take that pretty darn seriously before they get nuclear weapons. And I think all of us underestimate how hard this is going to be."

Earlier Wednesday, the Associated Press reported Iran had postponed a tentative meeting with a top European Union official - a step that seemed to dim prospects the country will make concessions to limit its nuclear program. Iran insists its nuclear program is for peaceful energy uses only but the United States and some Europeans believe the regime seeks nuclear weapons.

Gingrich was in Maine on Wednesday as the featured speaker for The Maine Heritage Policy Center's annual Freedom and Opportunity Luncheon. The Center is a conservative think tank that has been a moving force behind this fall's ballot question to establish spending caps through the approval of a Taxpayer Bill of Rights. The organization's fundraiser attracted more than 300 members and guests, including state GOP luminaries like former Maine gubernatorial candidate Peter Cianchette, current gubernatorial candidate Chandler Woodcock, state Senate GOP floor leader Paul Davis and former House GOP leader Joe Bruno.

During a meeting with reporters, Gingrich said it was time for all Americans to "profoundly rethink" their position on Iran and be prepared to take all necessary steps to safeguard the United States.

"If the country is asked to choose between doing what it takes to protect the country from Iran, North Korea and terrorism or the left wing of the Democratic party's policy of weakness, withdrawal and appeasement, everything I'm seeing indicates the country would vote 2-1 in favor of strength," Gingrich said.

Gingrich said the United States is still paying for President Bill Clinton's foreign policies which he said gave Americans "eight years of appeasing the world" and provided the opportunity for Osama bin Laden to bomb two U.S. embassies and the USS Cole.

"You don't appease your enemies - you defeat them," he said. "We have to take this seriously because the next time we won't just lose a building or an airplane - we will potentially lose a city."

While Republicans cheered Gingrich at the Sable Oaks in South Portland, Democrats deplored the former speaker's visit to the state. Jon Crasnick, executive director of Democracy Maine, said in a prepared statement that Gingrich's reception was "further evidence of the advance and influence of the conservative far right in Maine."

"Gingrich is one of the chief architects of policies that have shifted the tax burden away from the rich and onto the backs of working men and women," Crasnick said. "His 'contract with America' has only served to increase the gap between the rich and poor and returned us to sky-high deficits."

Crasnick said Gingrich did not share the values of Maine's citizens, adding it was "ironic" to see the Maine Heritage Policy Center paying Newt Gingrich to come to Maine "at a time when we need real solutions for real people, not hypocrisy from discredited right-wing politicians."

**Colorado foe of TABOR to speak, Lewiston Sun Journal, September 6, 2006**

**By David Farmer -- Lewiston, A messenger from Colorado will visit Lewiston today with a dire warning about the Taxpayer Bill of Rights.**

State Sen. Steve Johnson, assistant minority leader of the Colorado State Senate, will talk about what he describes as TABOR's negative affect on his home state's economy.

The event, which is open to the public, begins at 6:30 p.m. today at the Colisee and is sponsored by the Maine Municipal Association, which opposes TABOR.

"TABOR did not work for the people of Colorado or for the Colorado economy," Johnson said. "Even with the suspension of the TABOR spending limits, we have a lot of catching up to do to make up the damage that TABOR caused for our schools, universities, transportation and other needs."

Johnson cited the declining support that the state has been able to provide to the University of Colorado and to its infrastructure.

"If we hadn't repealed TABOR for five years when we did, our state would have been the only one in the country not to provide state aid to the university system," Johnson said.

In the 14 years since TABOR passed, he said, the university system has seen a 40 percent decrease in funding, double-digit yearly tuition increases and the amount of general fund money spent on transportation dropped to zero.

TABOR would limit increases in state and local government spending to the rate of inflation plus population growth and require voter approval for any tax or fee increase. Increases beyond the limits would have to win support from two-thirds of the Legislature or governing body and then also be sent to voters for approval.

Colorado's TABOR is the granddaddy of similar proposals around the country. It was enacted as a constitutional amendment in 1992. Johnson, a Republican, was elected in 2002 and was one of the leading advocates for the successful effort to suspend TABOR's spending limits in 2005.

"When we first heard about TABOR, it sounded like a good idea," Johnson said. "It's very flawed."

In Maine's world of dueling think tanks, Johnson's visit to Maine is being coordinated by the Maine Center for Economic Policy, a liberal think tank that opposes TABOR.

At noon today, former speaker of the U.S. House of Representatives Newt Gingrich will be the keynote speaker at the annual Freedom and Opportunity Luncheon, sponsored by The Maine Heritage Policy Center, a conservative think tank.

Gingrich's remarks are titled "Fiscal Responsibility and Healthcare Transformation: Needed and Compatible Reforms," a topic consistent with MHPC's goals of promoting market-based reforms in the delivery of health care. The Maine Heritage Policy Center is also a strong advocate for TABOR and wrote Maine's version, which goes to voters in November.

Tickets are no longer available for the event, the MHPC said Tuesday.

Two years ago, Colorado Gov. Bill Owens spoke at the Heritage Freedom and Opportunity Luncheon, and he delivered a very different message than Johnson's.

Tax advocate Mary Adams, who has led the charge to enact Maine's version of TABOR, was honored that year, and she encapsulates the message Owens has delivered in Maine.

**Ready, set, campaign: Battle over TABOR heats up, Maine Sunday Telegram, September 3, 2006**

**By Trevor Maxwell -- Mainers have a reputation for enjoying an old-fashioned debate about taxes. This fall, they've got one. The Taxpayer Bill of Rights will appear as referendum Question One on the Nov. 7 ballot. Voters will be asked if they want to limit government spending by tying increases to specific growth rates like inflation and population change.**

Some campaigning has gone on this summer, but the real battle begins now. The opposing camps will spend thousands on advertisements and shift fundraising into high gear. They are also arranging speaking engagements at Rotary clubs, chambers of commerce and special town meetings from Kittery to Fort Kent.

The proposal is championed by citizen activist Mary Adams of Garland and the conservative Maine Heritage Policy Center. The opponents are led by Citizens United, a political action committee that gets its clout from the Maine Municipal Association and a list of other groups.

"It is likely to stand out this year," said Ron Schmidt, associate professor of political science at the University of Southern Maine. More families are struggling with higher costs for things like heating oil and health care, which could generate support for a question that puts limits on government spending, he said.

"When push comes to shove, this needs to be an issue that is front and center," Schmidt said.

Both sides in this campaign say they want to strengthen Maine's economy and reduce tax burdens on families and businesses. But that's where the similarities end.

"It's a power shift from government to people, I think that's why you're seeing government entities squawk," said Adams, who led the fight against school funding mandates in the 1970s. "I haven't understood the argument that it curtails democracy."

Christopher St. John, director of the Maine Center for Economic Policy, opposes the idea.

"The challenge for proponents is to tell the truth," St. John said. "Their message to date is that this is simple, and it won't lead to cuts. It is a simple message and an attractive one, but it isn't true."

The proposal is essentially a spending cap on state and local governments, with a provision that allows voters to override the imposed limits. About 30 states have some kind of cap laws.

The Taxpayer Bill of Rights in Colorado stands out as the most stringent and was the model for the Maine proposal.

"Theirs is a revenue limit; ours is an expenditure limit," said Bill Becker, president of the Maine Heritage Policy Center. Staffers there wrote the initial proposal two years ago. "We took the parts that have been successful in Colorado, and we made changes to make it work for Maine."

Under the proposal, towns and counties would have to base spending increases on inflation plus population change, or on the change in overall property values, whichever is lower. Spending at the state level would be tied to inflation and population increases. School budgets would be tied to inflation and enrollment.

If a town wanted to override the limit, any spending increase would have to be approved by a two-thirds majority of the governing body, like a city council or town meeting. The increase would then have to gain approval from a majority of all voters.

At the end of each fiscal year, any state revenue surplus would be split up, with 80 percent for tax relief and 20 percent for a state rainy day fund.

Larry Benoit, a strategist affiliated with Portland-based Bernstein Shur, says the plan is a bad idea.

"It will ultimately rob communities of local control," said Benoit, campaign director for Citizens United. "Only the Legislature will be able to change it. If a community does not vote for TABOR, it will still have to live with it.

The two-thirds requirement for the override is a problem, Benoit said, because it allows a minority to block spending increases that have the support of the majority.

"It's a one-size-fits-all formula that ignores local conditions and regional conditions with respect to cost," Benoit said.

The proposal is the latest in a string of citizen-initiated referendums and legislative moves responding to unease over taxes.

Voters in 2003 approved a plan to boost state aid to schools to 55 percent of the operating budgets. Another referendum in June 2004 reaffirmed that plan, but legislators later moved to spread the increase out over four years. In November 2004, a referendum brought forward by Carol Palesky was shot down at the polls. It would have capped property taxes at 1 percent of the appraised value.

Two months later, the Legislature adopted the bill known as LD 1. It boosts school aid, puts a cap on how much towns and cities can collect in property taxes and expands two tax breaks. LD 1 placed Maine among the 30 states with similar cap laws. But Adams said the caps are too lenient and people need immediate relief.

The central question at this point is unavoidable: Will the proposal bring budget cuts"

"When you apply the formulas, roughly 35 percent, or 172 of Maine municipalities, would actually have outright budget cuts to comply," Benoit said. "Thirty-one percent of schools would face budget cuts."

Benoit was quoting an analysis released in June by the Maine Municipal Association, which opposes the bill. The town of Guilford in Piscatiquis County, for example, saw a 28 percent decline in valuation last year. That would mean municipal budget cuts of 28 percent, according to Benoit and St. John.

"Change can be a positive or negative percentage," Benoit said. "We're very confident in our interpretation of this."

Those who wrote and support the bill, though, say it never requires cuts. The worst that can happen, they say, is flat funding year to year. Using the Guilford example, voters in town would have several options, said Becker of the Heritage Policy Center.

They could keep the same budget levels from the previous year, or they could use the override process to increase spending. Voters also could cut the budget, Becker said.

"This law is meant to restrain excessive government growth," he said. "That is the fundamental issue."

Two other major disagreements will continue to play prominently in the campaign. The sides disagree on how cumbersome the override process would be, and whether it would be feasible in most communities. The other question is about how the law has worked in Colorado, which adopted its Taxpayer Bill of Rights in 1992.

Last fall, voters in Colorado suspended a key provision in the law. They allowed the state Legislature to spend nearly $4 billion over the next five years, money that otherwise would have been returned to taxpayers.

Both sides in Maine have signed up a long list of speakers from Colorado, ranging from ranchers to Republican Gov. Bill Owens. Some will try to convince Mainers that the bill has failed, leading to an erosion in schools and economic development. Others, like Owens, will say the bill has succeeded, bringing new jobs and people into the state, and cutting unnecessary spending.

The long list of ambiguities could make it tough for voters to decide. But everyone can expect a spirited debate: Taxes are one issue about which residents are generally not shy.

"I hope that it gets the attention of the politicians and shows them the citizens are fed up and they should change the way we are taxed," said George Fogg of North Yarmouth, a retiree whose annual property taxes have risen from $600 to $2,300 in the past two decades.

Kimberly Whipkey, a college student who grew up in Portland, is on the other side. She has a younger sister in public school and does not want to see a drop in the quality of programs.

"I'm worried that the implications of this formula will mean severe spending cutbacks for the things Mainers care about, like education, health care and public safety."

**Spending on ballot initiatives**

**By David Farmer**
**Lewiston Sun Journal**
**August 20, 2006**

Americans for Limited Government has spent large amounts of money around the country in support of TABOR-like ballot questions and other initiatives.

Oregon $561,177

Maine $20,000

Oklahoma $350,000

Arizona $827,000

Nevada $100,000

Source: (Oregon) Statesman Journal, campaign disclosure reports, High Country News. Amounts were as of last reporting period, which varies from state to state.
TABOR backed by funds out-of-state funds
Big benefactors boost national effort to enact spending caps

LEWISTON - Mary Adams and the Maine Heritage Policy Institute are the public faces on the drive to enact a Taxpayer Bill of Rights in Maine, but much of the financial support so far has come from the same people who are supporting similar efforts around the country.

Maine is one of several fronts in an ongoing national campaign to enact TABOR-like restrictions on state and local governments. From Oregon and Nevada to Michigan and Montana, efforts are under way to use state ballot initiatives to enact similar measures that would limit governments' ability to raise revenue and spend it.

While TABOR's defenders say it is a local effort rising from the frustration of taxpayers in the states where it's being considered - and in Maine, many property taxpayers have expressed great frustration - Americans for Limited Government, its chairman, New York developer Howard Rich, and other groups associated with him are writing most of the checks.

Financing

Consider Maine and Oregon, two states with little in common beyond cities named Portland and an open-ballot initiative process that has allowed TABOR a spot on November's ballot.

Despite the differences in the economies of the two states, the intent and language of the initiatives are similar, with one big exception. In Oregon, TABOR would amend the state's constitution. In Maine, TABOR changes state law, exposing it to legislative tinkering.

Both would limit increases in state and local government spending to the rate of inflation plus population growth and require voter approval for any tax or fee increase. Increases beyond the limits would have to win support from two-thirds of the Legislature or governing body and then also be sent to voters for approval.

While the states with TABOR on the ballot are different, with their own fiscal and economic challenges and advantages, much of the money behind the TABOR effortsv is the same.

According to the Statesman Journal in Oregon, Americans for Limited Government, a conservative-to-libertarian political organization, contributed $571,177 of the $671,705, or 85 percent of the total, that was spent to get

TABOR on the ballot in Oregon.

The same group has contributed $20,000 to TaxpayerBillofRights.com, the Maine political action committee that is supporting TABOR - $5,000 in September and another $15,000 in May. For 2006, Americans for Limited Government's contribution accounts for 32 percent of the TABOR organization's total fundraising of $46,316.60. Since it started in 2004, TaxpayerBillofRights.com has raised a little more than $78,000.

Americans for Limited Government is supporting similar efforts in a number of other states, including Michigan, Missouri, Montana, Nebraska, Nevada and Oklahoma, where fights over TABOR-like initiatives also are being waged and where large amounts of money have been spent.

Heather Wilhelm, Chicago-based ALG's communication director, would not provide an aggregate amount for how much the organization has spent on TABOR-like efforts around the country, but did say that they've reported everything required by law.

According to reports published from around the country, in Oklahoma, ALG gave $350,000 to support the TABOR petition drive. In Arizona, ALG has spent $827,000 on ballot initiatives, including one to restrict eminent domain which has been tied to corresponding TABOR campaigns in some western states. In Nevada, ALG has contributed more than $100,000.

The Portland Oregonian, in an investigative story published earlier this month, connected Rich to more than $7 million in contributions supporting various ballot initiatives around the country.

The states that have TABOR movements are all over the map, literally and figuratively, and include fast-growing Nevada and troubled Michigan, which is trying to absorb huge losses in its automobile manufacturing base.

"We encourage groups from all 50 states to ask us for help," Wilhelm said.

ALG supports groups that have a strong grassroots base and growing support, she said, describing the state efforts as locally driven.

But a review of proposed legislation from Oregon, Nevada, Maine, Michigan, and Missouri shows that they are all similar, tying increases in government spending to growth in population and inflation and requiring voter approval for increases in revenue.

"The general principles that they all share is to give taxpayers greater say in their government," Wilhelm said.

Dennis Bailey, a spokesman for the Citizens United to Protect Our Public Safety, Schools and Communities, which opposes TABOR, said advocates for the ballot question were taking advantage of Maine's initiative process to be part of a national effort.

"I don't doubt that there are activists who believe in this here," Bailey said. "But they're trying to sell this as some kind of homegrown idea that was cooked up at the kitchen table, and that's just not true. ... Clearly this is an imported thing."

Adams makes no bones about the financial support from ALG.

"They sure didn't come to us," she said. "They became interested in helping us when they saw that it was a serious effort there. It's not their plan, it's our plan. We didn't need any out-of-staters to tell us we're No. 1 in taxes."

The beginnings

TABOR got its start in Colorado, where it was adopted in 1992 as a constitutional amendment. The other proposals, which have changed some of the details around the edges of the idea - such as adding provisions that mandate government reserve accounts - are all derivative of the original.

Both sides point to the Colorado example to make their case.

TABOR's advocates say it has worked as intended by restraining government growth and returning billions of dollars to taxpayers.

Opponents say it has hurt investment in things like health care and education and stifled the state's economy.

Both point to a vote in Colorado last year to override TABOR's provisions for five years as proof of their point. Supporters say is shows the power rests with the people, while opponents say it shows that the restrictions put the state in a desperate situation.

In Maine, much of the intellectual muscle for TABOR has been provided by the Maine Heritage Policy institute.

Founded in 2002, one of the first topics that the Portland-based conservative think tank tackled was the notion of limiting taxation and government spending.

"This has been an issue we've been passionate about from the very beginning," said Bill Becker, the president and CEO of Maine Heritage.

MHPC wrote the Maine version of TABOR two years ago as model legislation, Becker said. It was introduced in the Legislature but was not enacted.

"We put it out there for anybody who was interested," Becker said.

Maine's law is based on Colorado's, with improvements, Becker said.

"The Maine TABOR was written specifically for Maine," Becker said. "Did we consult with people? Absolutely. ... This idea is sweeping the nation because taxpayers are fed up."

And, Becker said, it should be a national idea.

"We're tired of being at the bottom of the economic barrel," Becker said. "Is it any wonder that other states don't want to join us?"

Credentials

There's no doubting Mary Adams's credentials. She's been a tax reform activist who successfully eliminated the state property tax in 1977.

She sees herself as a descendent of the revolutionaries who founded the United States and is an ardent and committed conservative.

She's no Johnny-come-lately to tax activism, and was there at the beginning in September 2004 when TaxpayerBillofRights.com registered as a political organization in the state and began work on its ballot initiative.

"This kind of revolt, I've only seen it happen twice in 30 years," Adams said.

And TABOR is firmly part of the state's Republican Party platform.

Early polling in Maine shows broad support for the TABOR proposal, with support outpacing opposition by two- or three-to-one margins.

"People are worried about whether they'll be able to retire, whether their parents will have to come live with them," Adams said. "There's personal drama here and that's what's motivating people."

But the strong poll numbers and vocal supporters haven't translated into Maine-based economic support, at least not yet.

Indirect support

The support for TABOR doesn't end with direct financial support to TaxpayerBillofRights.com .

The Maine Heritage Policy Center has remained involved in the pursuit of

TABOR since crafting the legislation two years ago.

Roy Lenardson, a former senior policy analyst for the center, is running the pro-TABOR campaign and remains an adviser to Maine Heritage.

Becker, of Maine Heritage, is a frequent companion of TABOR activist Mary Adams, who has become the public face of the ballot initiative. He is a strong advocate for TABOR, a close adviser to Adams and a charismatic spokesman for conservative policies.

The Maine Heritage Policy Center has received financial support from a number of prominent conservative-to-libertarian funding groups. As reported by Victoria Wallack in the Lincoln County News in March, those groups include the Atlas Economic Research Foundation and the J.M Foundation.

Becker would not disclose MHPC's donor list, saying that its confidential, and state and federal law does not require nonprofit organizations to reveal where they get their money.

"We have received financial support from people both inside the state of Maine and outside," Becker said.

On its Web site, Americans for Limited Government lists TaxpayerBillofRights.com as one of its state partners and also links to the Maine Heritage Policy Center and the Maine Public Policy Institute.

New York developer Howard Rich is the chairman of Americans for Limited Government. His wife, Andrea, is on the board of directors for Atlas. Rich, also, is heavily involved in the Club for Growth, another national organization which supports TABOR and reducing the size of government at all levels and was founded by Grover Norquist, a national anti-tax activist.

Norquist has visited Maine as a guest of the Maine Heritage Policy Center.

According to Rich's biography on the Americans for Limited Government Web site, he founded U.S. Term Limits in 1992 and serves on the board of the libertarian Cato Institute in Washington, D.C., the Club for Growth and the Milton and Rose Friedman Foundation, which advocates for expanded school choice.

He also leads the Club for Growth State Action, which establishes state affiliates for the Club for Growth, and the Fund for Democracy, which provides seed money for state initiative campaigns.

The Fund for Democracy contributed $1.5 million in March to support a ballot question that would increase property rights, according to campaign disclosure reports filed in California.

The J.M. Foundation reported in 2004 a $15,000 grant to the Maine Heritage Policy Center and a $35,000 grant to Atlas.

Another TABOR benefactor, W.R. "Dick" Jackson Jr. of Yarmouth, has given the TaxpayerBillofRights.com $11,000 since September. He also contributed $2,000 in 2004.

Jackson, along with Becker, co-founded the Maine Heritage Policy Center, and he's the chairman of its board of directors.

The opposition

Opposition to TABOR has its own cadre of big supporters, including a number of groups that have a vested interest in government.

Citizens United to Protect Our Public Safety, Schools and Communities is a coalition formed to stop TABOR.

According to the most recent disclosure reports filed for the period between June 2 and July 18, The Maine Municipal Association and the Maine State Employees Association each contributed $25,000. Citizens United also reported $6,635 in in-kind contributions for the period. The Maine Education Association gave $1,725 in staff time and travel expenses.

That, ALG's Wilhelm, said is typical of anti-TABOR efforts in other states.

"There are very well-funded opposition groups out there," Wilhelm said. "In Oregon, the teachers' union has poured more than $2 million in."

She also said that much of the money, especially the contributions from unions, comes from dues that workers have no choice but to pay.

"In Oregon, there are more than 350 individual donors who aren't forced to give and support is growing like gangbusters," Wilhelm said.

The groups aligned against TABOR are much the same everywhere, and include the AARP, unions and liberal advocacy organizations. In Maine, Citizens United lists 87 groups as coalition members, including the Maine AFL-CIO, EnvironmentMaine, Maine People's Alliance, Planned Parenthood of Northern New England and Tri-County Mental Health.

A lot of these groups, especially the teachers' and state employees' unions and Maine Municipal Association, rely directly on taxpayer money to fight tax reform, Becker said.

"All of them are funded 100 percent by taxpayer money and have a vested interest in keeping unfettered access to public dollars," Becker said.

Bailey, from Citizens United, dismissed the idea that TABOR's opponents are only looking out for their own, selfish interests.

"It's an unfair criticism. Everybody has an interest in efficient government," Bailey said. "Teachers are involved because they think it's going to decimate the schools. They're close to the issue, no doubt about that, but they're concerned about quality education."

Becker offered a history lesson about the fight for tax reform.

Citizens United is the same PAC that successfully fought the Palesky tax cap proposal in 2004, Becker said.

Its largest single contribution came from the National Education Association, which gave $300,000 in September 2004.

"People who are interested (in TABOR) inside the state of Maine and outside the state of Maine are going to be involved, are going to be involved financially," Becker said. "History will always repeat itself."

**From Magic City Morning Star**
**STATE**
**Maine Heritage Policy Center Sets Record Straight on Taxpayer Bill of Rights**
**By MHPC**
**Jun 21, 2006, 17:01**

PORTLAND -- The Maine Heritage Policy Center today addressed several factually incorrect "myths" that have been frequently stated by opponents to the Taxpayer Bill of Rights. The Maine Heritage Policy Center drafted the Taxpayer Bill of Rights model legislation. Activist Mary Adams used the model legislation as the basis for her citizen's initiative.

In voicing reasons for opposition, groups such as The Maine Municipal Association and the Maine Education Association, have stated concerns that reflect a misinterpretation of the initiative's provision.

"As authors of the Taxpayer Bill of Rights for Maine, we are compelled to set the record straight," stated Bill Becker, president and CEO of The Maine Heritage Policy Center. "This measure is reasonable, fair, and well-written. The Taxpayer Bill of Rights offers a positive solution to Maine's onerous taxes while allowing for additional government growth.

"I would hope that the misinterpretations of the bill's language are not an intentional attempt to propagate lies about the initiative. However, the attacks on the measure to date have been based on fear, not fact, and simply do not stand up to any amount of scrutiny.

"Rather than allowing for themselves to fall victim of an orchestrated campaign of fear, uncertainty, and doubt, I encourage all Mainers to learn more about the Taxpayer Bill of Rights. Once people learn about the Taxpayer Bill of Rights, they will see that it is a reasonable proposal that will have a positive impact on all Mainers."

MYTH 1: The Taxpayer Bill of Rights requires a two-thirds vote for local budgets [1]

FACT: The two-thirds vote is only required for line item spending over the limit and only required of the legislative body. For example, a town's spending limit is $2 million. That $2 million budget would be passed by majority vote of the city council or at town meeting, consistent with current law. However, if that town wanted to spend an additional $25,000 (over the $2 million limit) to renovate town hall, that $25,000 line item would require two-thirds vote by the city council or at town meeting, followed by a majority voter approval at the next general or special election.

MYTH 2: Every year, the Taxpayer Bill of Rights requires towns to calculate their spending growth limit on the lesser of the change in their assessment or the change in their population plus inflation rate [2]

FACT: Towns only have to consider these two spending growth limits when they conduct a comprehensive revaluation. Under the Taxpayer Bill of Rights, "change in assessment" [3] refers to a town conducting a comprehensive revaluation, as governed by 36 MRSA Chapter 102. [4] Typically, towns conduct these comprehensive revaluation every decade or so. Therefore, in most years, the spending growth limit for towns is simply the change in population plus inflation. Only in years where there is a comprehensive revaluation is the growth limit the lesser of the change in assessment or the change in population plus inflation.

MYTH 3: The Taxpayer Bill of Rights requires some towns or schools to face a budget cut (or a growth limit below 0%). [5]

FACT: The Taxpayer Bill of Rights never requires a budget cut. At worst, it requires a town with a shrinking population to have a flat-funded budget. The spending growth limit only applies to the "maximum annual percentage change in fiscal year spending" [6]. Therefore, if there is no change in a local district spending (i.e., the budget is flat f! unded from one year to the next), then spending growth limit never applies. The spending growth limit only applies when total spending changes from one year to the next. If the sum of a town's change in population plus inflation is less than 0%, then that town would be required to flat fund next year's budget or, use the law's provision to get two-thirds vote of the city council or at town meeting and voter approval at the next election for any spending beyond the level spent in the current year.

MYTH 4: The Taxpayer Bill of Rights requires schools to be governed by a change in pupil count plus inflation spending growth limit [7].

FACT: There is a separate limit for schools, but it only applies to "school administrative units" [8]. School administrative units are clearly defined in 20A MRSA Chapter 103, subchapter 2 [9] and applies only to multi-town School Administrative Districts (SADs) or Community School Districts (CSDs). According to the Maine Municipal Association's own analysis, there are 227 school districts with just under 199,000 students. However, only 86 of these districts are SADs or CSDs (with just over 98,000 students) and, therefore, are governed by the spending growth limit of the change in pupil count plus inflation.

All other schools have their budget part of their overall town budget and, therefore, the schools are part of an entire town budget with an inflation plus population spending growth limit. These schools therefore have no spending limit, but instead are line items in an overall town budget with an inflation plus population growth limit. The law also allows for a voter override provision if additional spending is desired.

MYTH 5: The Taxpayer Bill of Rights forces 44% of schools to have budget cuts. [10]

FACT: The Taxpayer Bill of Rights never requires a budget cut. Of the 227 school districts, 141 (62%) are not SADs or CSDs and, therefore, have no school-specific spending growth limit. Only 33 (15%), with total student enrollment dropping more than 4.5 percent in one year, would potentially be flat funded under the Taxpayer Bill of Rights growth allowances. All other SADs and CSDs have positive spending growth limit, as shown in the table below.

| | MMA Purported Limit | % of School Districts | Actual Facts: Actual Spending Limits | % of School Districts |
|---|---|---|---|---|
| No Limit, School Spending Part of Town Budget | N/A | 0% | 141 | 62% |
| Less than 0% (cut) | 101 | 44% | 0 | 0% |
| 0% | 0 | 0% | 33 | 15% |
| 0-2% | 45 | 20% | 21 | 9% |
| 2-4% | 31 | 14% | 17 | 7% |
| 4-6% | 18 | 8% | 6 | 3% |

| | | | | |
|---|---|---|---|---|
| 6%+ | 32 | 14% | 9 | 4% |
| TOTAL | 227 | | 227 | |

*Source: Maine Municipal Association, MHPC calculations.*

MYTH 6: The Maine Taxpayer Bill of Rights requires 35% of towns to have budget cuts [11]

FACT: The Maine Taxpayer Bill of Rights never requires a budget cut. For municipalities, the growth allowance is based on the lesser of the change in property assessments or the change in population plus inflation. However, the change in property assessments is only in effect when a town performs a comprehensive revaluation. As a result, in the vast majority of cases, towns can expect their growth allowance to be based on the change in population plus inflation. In the rare case of a decline in assessments or population that is greater than the rate of inflation, the town would be allowed to flat-fund in that year. The law also allows for a voter override provision if additional spending is desired.

| Maine Taxpayer Bill of Rights Municipal Growth Allowance | Maine Municipal Association | % | Actual Growth Allowance | % |
|---|---|---|---|---|
| 0%- | 172 | 36% | N/A | N/A |
| 0% | 1 | 0% | 0 | 0% |
| 0-2% | 99 | 20% | 2 | 0% |
| 2-4% | 138 | 29% | 277 | 57% |
| 4-6% | 66 | 14% | 187 | 39% |
| 6%+ | 8 | 2% | 18 | 4% |
| Average Growth Allowance | 0.67% | N/A | 4.01% | N/A |

*Source: Maine Municipal Association, MHPC calculations.*

The Maine Heritage Policy Center is a 501 (c) 3 nonprofit, nonpartisan research and educational organization based in Portland, Maine. The Center formulates and promotes free market, conservative public policies in the areas of economic growth, fiscal matters, health care, and education - providing solutions that will benefit all the people of Maine. Contributions to MHPC are tax deductible to the extent allowed by law.

- Web site: www.mainepolicy.org
- Blog: http://blog.mainepolicy.org

Footnotes:

- [1] "Problems with TABOR." Maine Municipal Association.
- [2] "Problems with TABOR."
- [3] LD 2075. Section 8. Chapter 167, § 2044. Subsection 2. Legislation available HERE
- [4] Statute available HERE
- [5] "Problems with TABOR."
- [6] LD 2075. Section 8. Chapter 167, § 2044. Subsection 2.
- [7] Maine Municipal Association. "TABOR Limit Impact Analysis - Schools for FY 05."
- [8] LD 2075. Section 8. Chapter 167, § 2044. Subsection 2.
- [9] Statute available HERE
- [10] "TABOR Limit Impact Analysis - Schools for FY 05."
- [11] Maine Municipal Association. "TABOR Limit Impact Analysis."



**Maine Voters Will Weigh in on TABOR**

**Author: Jason A. Fortin**
**Published: The Heartland Institute 04/01/2006**
**Citizens of Maine will have the chance to limit taxes and spending when they go to the polls this November 7.**

Maine Secretary of State Matthew Dunlap (D) ruled on February 21 that supporters of a proposal to limit taxes and state and local spending had submitted the required signatures to place the Act to Create the Taxpayer Bill of Rights on the ballot. State and national tax groups rate Maine as having the nation's highest combined state and local tax burden.

Mary Adams of Garland, Maine led the petition circulation effort with help from more than 1,000 volunteers around the state. Adams' group, TaxpayerBillofRights.com, needed to submit 50,519 signatures of valid Maine voters equivalent to 10 percent of the votes cast in the previous gubernatorial election.

'Tired of Being Number 1'

"We're sick and tired of being number 1 in the nation in state and local tax burden. We're doing something about it," said Adams.

"On the local level, revenues which exceed the limit will have to be used to reduce local property taxes; at the state level, revenues beyond the limit can be used to reduce existing taxes or as cash rebates," Adams said in a celebratory statement. "Augusta [Maine's capital] will have to debate how to give us back money each year instead of trying to figure out how to get it away from us!"

Adams is a seasoned veteran of the Maine citizen's initiative process. In the mid-1970s, she led a statewide vote that repealed the uniform property tax. The victory made her a fixture in Maine politics and brought national attention, including a feature on the national newsmagazine show "60 Minutes."

The proposed bill of rights is a tax and expenditure limitation (TEL) that would statutorily restrict the growth in state and local government spending to a certain economic indicator. In 1973, under Gov. Ronald Reagan, California passed the first TEL. Twenty-eight other states have subsequently passed similar legislation.

'Status Quo Vs. Prosperity'
"The referendum will boil down to a fundamental debate on the future of this great state," said Bill Becker, president and CEO of the Maine Heritage Policy Center, which helped draft language for the bill. "The referendum campaign will be a choice between those who support the status quo versus those who believe in greater economic prosperity."

The ballot question reads in its entirety, "Do you want to limit increases in state and local government spending to the rate of inflation plus population growth and to require voter approval for all tax and fee increases?"

The proposed taxpayer's bill of rights (TABOR) would limit the growth in spending for state, county, municipal, and school budgets by tying that growth in spending to population growth and inflation for governments, and to population growth and student enrollment for school systems. In addition to establishing a growth allowance, the TABOR would create a budget stabilization fund that would allow government spending to remain constant in recessionary times.
"Under the version proposed for Maine, a portion of any revenue raised beyond the spending limit is placed in budget stabilization funds, also known as 'rainy day' funds, with the balance refunded to taxpayers," Ed Cervone, an analyst for the Maine Center for Economic Policy, a liberal think tank based in Augusta, told the Bangor Daily News for a February 22 story.

Teachers, Unions Oppose Reform
Critics of the tax and expenditure limitation, including Gov. John Baldacci (D), the Maine Municipal Association, Maine AFL-CIO, Maine Center for Economic

Policy, and Maine Education Association (MEA), contend the proposal is too rigid and could hamstring government and require drastic cuts in services.

"MEA opposes TABOR," noted Rob Walker, president of the Maine Education Association, in a statement on the union's Web site, "and anyone who cares about our students, our programs, and our schools will do likewise."

Adams has said her organization will make TABOR a defining issue in this year's gubernatorial and legislative races. Baldacci will face challenges from a Republican, a Green, and at least one Independent candidate (there are currently 14 registered gubernatorial candidates). In the legislative races, every seat in the House of Representatives and Senate is up for re-election. Currently, Democrats hold a one-seat plurality in the House and a three-seat majority in the Senate.

**3-28-2006**

**Taxpayer Bill of Rights: Is it?**
**By Deborah McDermott**
**dmcdermott@seacoastonline.com**
**Complete Maine News Index**

The Maine Taxpayer Bill of Rights is a demon or a savior, depending on the viewpoint of those closely attuned to this tax-cap measure likely to become a contentious centerpiece of the November elections.

It is a demon, its detractors say, because it is based on a draconian growth formula, is over cumbersome, is failing in Colorado, the state on which Maine's initiative is based, and mandates spending limits without providing resolution of all the social and government programs that would have to be cut as a result.

It is a savior, its supporters say, because it gives power to the people who control spending, its formula is easy to understand and sets up a system so that government knows exactly what it's spending cap will be from year to year and, most importantly, it returns any unexpended revenue directly back to taxpayers' pockets. Ultimately, they say, it will remove Maine from that ignominious place as the No. 1 taxed state in the nation.

Complicating matters is the fact that the Legislature last year already enacted a tax-cap measure, LD 1, which TABOR, as it is called in acronym, would supersede.

Right now, TABOR is understood by only a small number of analysts and legislators. Area school superintendents, assessors, selectmen and town managers contacted in the past week said they did not know enough about the measure yet to speak to its merits.

It is also the subject of a lawsuit, over the legality of signatures turned in to the secretary of state the day after the deadline. Even if the suit is successful, defenders say, they'll be back again.

TABOR in a nutshell

TABOR is a citizens' initiative that, if passed, will create a Maine statute. Unlike its Colorado counterpart, Maine's TABOR is not being put forth as a constitutional amendment. Its provisions would cover state, county and local governments, as well as school units, and all would be obliged to follow its dictates.

Key provisions of the bill include the following:

□ Each year, the government or school unit would start with the previous year's budget. It then allows the budget to be increased the following year by inflation as determined by the Consumer Price Index and by the increase in school, town, county and state population.

□ All facets of the budget would come under TABOR.

□ If excess revenue is collected, 20 percent of the amount goes in a budget-stabilization fund, and the remaining 80 percent in a taxpayer-relief fund. This money is used differently at the various levels of government, but all money is intended to reduce the tax burden.

□ There is an override provision that is two-tiered. If the state, county, local or school unit governments want to spend at a rate greater than allowed, two-thirds of the governing body (i.e. the Legislature, commissioners, selectmen or council, or school committee) must vote for the override. After that has happened, the matter has to go before voters at the next election, and a majority of voters have to agree with the governing body.

□ This same process must take place if a government wants to accept revenues in excess of what is budgeted. It must also take place if a government wants to increase fees. This includes at the local level fees for such things as building permits, moorings and planning applications.

'...the psyche of Maine'

The leading proponent of TABOR is Garland resident Mary Adams, who has been working for years to see the measure enacted.

She said she's heard the arguments against TABOR, and she can refute them all.

□ D 1, for example, is strict at the county and local level, but at the state level caps only general fund spending, not all spending, she said. And that's what's needed to get the state's runaway spending under control, she said.

"We're trying to get government not to spend more than the rate of inflation," she said. "You can't keep outstripping people's income, and that's why we're No. 1 in the country. You're outstripping people's ability to pay."
She also takes exception to people who paint TABOR with the same brush as the failed Palesky tax initiative of 2004.

"Palesky was quite confusing, so the other side was able to make great inroads. TABOR is easy to understand and has a built-in generosity that refutes opponents."

She said the beauty of TABOR is that government knows from one year to the next exactly what it can spend. And if it wants more, it has to go to the people for it.

"It makes government get down on its knees and say, 'Please, please, please give me that money.' When does government ever beg? It's kind of like man bites dog," she said with a chuckle.

Bill Becker of the Maine Heritage Policy Center, the author of TABOR, said he has been "astounded at the fear mongering" among opponents. TABOR, he said, "merely encourages growth at a responsible rate. We want to attract people to this state, and say, 'We're friendly, we're open.' That's not happening now. We need an entrepreneurial economy with minimal regulation."

"This is consistent with the psyche of Maine," Adams said. "We all feel so overwhelmed by these government entities and in the process we're so awful small. This gives us a chance."

A disingenuous formula

Within days of the TABOR petition verification, a group that now numbers more than 100 Maine organizations formed to fight its passage.

Spearheaded by the Maine Center for Economic Policy, these include such far-flung groups as AARP-Maine, Dirigo Alliance, the Maine Council of Churches, the Maine Public Health Association, and the YWCA of Greater Portland.

Their opposition stems from the fact that TABOR mandates tax caps without providing any mechanism on the other end to deal with its fallout.

"This targets everything that gets a public dollar," said Ed Cervone, a policy analyst with the Maine Center for Economic Policy.

And so, he said, when the tax cap is set based on the formula, that means everything gets cut: positions, roadwork, transportation, social services, health care, etc.

"When we talk about the rate of inflation (used in the TABOR formula), we talk about the goods we buy every day. Government doesn't buy the same things we do - it buys employees, health care, emergency services.

"What TABOR does is say, "Yeah," the cost of health care, for instance, is a problem, but we're not proposing to solve the problem. We're just cutting off the wallet."

His concern for the override mechanism is that the "next general referendum or special election," the language specified in TABOR, could be one with low voter turnout. Thus, the override could be held hostage to special interests.

He turns to Colorado, which this year suspended the effects of TABOR for five years so that fundamental state financial obligations could be met.

"Roads were not being kept up, higher education was taking a large hit. It was not just the usual suspects. It even caught the eye of the chambers of commerce," Cervone said. "They wanted to check the growth of government, not shrink government. We in Maine have a unique opportunity. Just look at Colorado."

**Friday, March 24, 2006**
**Colo. experience is pitched here**
**By SUSAN M. COVER**
**Staff Writer**

AUGUSTA -- A former Colorado state senator touted the success of the Taxpayer Bill of Rights Thursday, the same day a report from a Washington think tank downplayed its impact in Colorado.
Republican John Andrews is now employed by the Claremont Institute in Englewood, Colo., as a tax and spending expert.

"It's worked well enough since 1992 that Colorado has consistently been in the top five or 10 states for attractiveness for business climate," he said during a meeting with the editorial board of the Kennebec Journal and Morning Sentinel. "We've had over 11/2 million people vote with their feet to come and live in Colorado since TABOR was enacted."

On the other side, the Center on Budget and Policy Priorities put out a study by two economists that concludes investments, educated workers and the Rocky Mountains had more to do with the state's prosperity in the 1990s than the spending limits.

"With or without TABOR, Colorado's economy would have fared well in the 1990s," the study concluded. "It had perhaps the nation's best-educated workforce, a great climate, low costs, and a strong public commitment to education and quality of life."

Voters in Maine may get a chance to weigh in on the proposal in November, if it's determined that there are enough signatures to put the issue on the ballot. A Kennebec County Superior Court judge will hear arguments today in a case that challenges whether Mary Adams of Garland turned in enough signatures on time to meet the secretary of state's deadline.

The measure would restrict government budget growth to the increase in inflation when adjusted for population gains or losses.

If a government wants to spend more than that, it must get support from two-thirds of its governing body -- such as a local board of selectmen -- and approval from a majority of voters, said William Becker, executive director of the Maine Heritage Policy Center.

The measure differs from the one in Colorado in that it requires that 20 percent of any leftover money be put in a rainy day fund and the rest be refunded to taxpayers.

In Colorado, any money over the spending limit must be returned to citizens, a provision that was put on hold for five years by voters in November. While some critics of the measure said that shows it has failed, Andrews described it as a temporary correction that will help the Colorado government recover from the 2001 recession.

The Center on Budget and Policy Priorities study, conducted by Therese J. McGuire of Northwestern University and Kim Rueben of the Urban Institute, found that Colorado's spending limits are the most restrictive in the country. More than 25 states have some form of Tax and Expenditure Limits and Maine, Ohio and Oklahoma are likely to have the spending limits on their ballots in November. The report states that the measure "has harmed state services such as education and health care." It points to statistics that show Colorado spending on K-12 education as a percentage of personal income has dropped from 35th to 49th.

It also stated that Colorado does not do a good job providing prenatal care for pregnant women and is the worst in the nation in providing health insurance for low-income children.

Andrews said Coloradans are more affluent, and therefore spending on education does not take up as large a percent of their income as it used to.

He said even with the spending limits, the state budget grew from $10 billion in 1999 to $15 billion in 2005. The state did cut higher education and the highway budget to keep within the spending limits, he said.

But, overall, he believes the Colorado state budget was allowed to grow at a steady rate.

"That, friends, is not starvation," he said. "One can argue about what gets prioritized inside the budget."

**January 12, 2006**

**TABOR Movement Picks Up Steam**

**In two dozen states across the country, efforts to enact tax and spending limits continue.**

**By: Max Pappas**

*This op-ed was originally published in Budget & Tax News on January 1, 2006*

Last November, friends and foes of government spending limits had their eyes on Colorado, home to the nation's strongest Taxpayer's Bill of Rights (TABOR), a type of tax and expenditure limit (TEL).

While TELs come in many varieties, TABORs (including Colorado's) typically limit annual increases in government spending to the growth of inflation plus growth in population. Tax revenue in excess of that amount is to be refunded to taxpayers. Lawmakers may raise taxes or keep tax refunds only if voters give their approval.

That's what happened in Colorado on November 1, when 52 percent of voters approved Referendum C, a measure allowing the state to keep the nearly $4 billion in refunds the people were projected to receive over the next five years.

Immediately after the vote, some taxpayer rights advocates lamented the outcome and joined TABOR opponents in saying it would be the end of the swelling nationwide movement to bring government spending under control.

But in two dozen states across the country, efforts to enact tax and spending limits continue.

## INITIALLY DISAPOINTED

Colorado state Rep. Joe Stengel (R-Littleton), a strong supporter of TABOR, was so disappointed in the November vote he claimed TABOR was "as good as dead." The Associated Press quoted Douglas Bruce, the taxpayer rights advocate who championed the TABOR measure in 1992, as saying, "The establishment is going to say we had 13 years of experience with spending limits and we changed our minds. I'm sorry for their sake and I'm sorry for our sake."

Taxpayer rights opponents chimed in. Kansas' Gov. Kathleen Sebelius (D) was quoted in the November 3 issue of the Lawrence Journal-World as saying the Colorado vote sent a strong message from people with "real life experience" with TABOR that "it doesn't work. ... I think what people are saying is we would rather spend money on important services than watch them be decimated."

MoveOn.org, the left-wing group financed by billionaire investment manager George Soros, proclaimed "Victory!" on its Web site after passage of Referendum C.

## TABOR SUPPORTERS REGROUP

But opponents of the TEL movement may have started celebrating too early. John Caldara, president of the Colorado-based Independence Institute and a leading proponent of TABOR, said, "We lost a small battle," but "this is a war that's not over."

Jeff Schoepke, tax and corporate policy director for Wisconsin Manufacturers and Commerce, wasn't buying the left's spin either. Wisconsin is one of the states with a strong TABOR movement.

"Big-government advocates have been spinning the results of recent referenda in Colorado as the death of the Taxpayer's Bill of Rights (TABOR). ... Don't believe the spin," Schoepke said.

"TABOR has had the real positive economic impacts predicted by supporters," Schoepke pointed out. "Eight years before Colorado voters enacted the Taxpayer's Bill of Rights, the state ranked 43rd nationally in median family income growth, but now it ranks seventh. Before TABOR, Colorado ranked 33rd nationally in job growth. It now ranks sixth. Before TABOR, Colorado ranked 43rd nationally in economic growth per capita, and since then it ranks seventh."

PENNSYLVANIA MOVES FORWARD

Such facts may have led the Pennsylvania House and Senate to move forward with their TABOR plans. The day after Coloradans voted to forgo their TABOR tax rebates, the Pennsylvania House voted to give the state's voters a statutory Taxpayer's Bill of Rights. The Pennsylvania Senate later passed the same bill, which awaits the governor's signature.

The Pennsylvania Senate also passed a bill that would enshrine TABOR in the state constitution. House members were expected to vote on that measure in mid-December. To go into effect, the Constitutional amendment bill must pass both houses of the legislature in two consecutive years. If it passes the House this year and again in both houses of the legislature early enough in 2006, it will be placed on the November 2006 ballot as a referendum.

OWENS REITERATES TABOR SUPPORT

Colorado's Republican governor, Bill Owens, who supported Referendum C while maintaining he still supports TABOR, said in a November 16 guest commentary for the Commonwealth Foundation for Public Policy Alternatives he was pleased to see the progress TABOR is making in Pennsylvania.

"As Pennsylvania policymakers consider limiting the growth of government spending, some Pennsylvanians may be under the impression that the government spending cap in Colorado--our Taxpayer Bill of Rights--is dead. To paraphrase Mark Twain, the reports of its demise are greatly exaggerated," Owens wrote.

Owens added, "In our November 1 election, Colorado voters fixed a glitch in the spending cap law; they didn't overturn it, as some reports might have you believe. ... I believe that a majority of Coloradans support the law, and when the election dust settles, other states will see how well spending caps can work and more will adopt them."

OKLAHOMA SUPPORT STRONG

Voters in Oklahoma indicate strong support for spending caps. The Oklahoma Council of Public Affairs reported a statewide telephone survey of 500 registered voters was conducted in late November by Cole Hargrave Snodgrass & Associates. Voters were asked whether they supported "an amendment to our state constitution that would restrict the rate of growth in government spending to no more than the rate of inflation plus the rate of population growth." The poll found 74 percent in favor, with just 17 percent opposed and 9 percent undecided.

With Oklahomans apparently unfazed by the anti-TABOR spin of the Colorado vote, state Sen. Randy Brogdon (R-Owasso) saw no reason to cancel his plans to collect the signatures necessary to bring TABOR to the people for a vote.

"The Taxpayer's Bill of Rights is a true friend of taxpayers, a fuel for the economy, and it's the enemy of the bureaucrats and the big spenders," said Brogdon, who drives home his message by making appearances with a replica of an 800-pound pig and using a Web site, http://www.stoptheporkok.com, to promote fiscal responsibility.

MAINE HAS MOMENTUM

Momentum for TABOR also continues in Maine, which joins Oklahoma, Pennsylvania, and more than 20 other states where advocates are pursuing enactment of a TABOR. Bill Becker, executive director of the Maine Heritage Policy Center, was unfazed by Colorado's vote. Becker is helping lead the charge for the statutory Taxpayer's Bill of Rights that will likely be on the ballot in Maine in November 2006.

"The Colorado vote is proof that TABOR works," Becker said. "TABOR allows the people paying the bills, not politicians, to have the final say in exceeding tax and spending limits."

Maine citizens shoulder the highest combined state and local tax burden in the nation, with an average rate of 13 percent of income, according to the Tax Foundation. Colorado has one of the nation's lightest tax burdens, ranking 44th in the nation at a rate of 9.2 percent of income.

The Small Business Survival Index 2005, published by the Small Business & Entrepreneurship Council, shows Colorado as having one of the nation's best business environments--and Maine nearly the worst. Colorado ranks 10th and Maine 49th. Only California and the District of Columbia have worse business environments, according to the Survival Index.

WORK CONTINUES

Becker and other supporters of the Maine TABOR believe Colorado's TABOR is a big reason for Colorado's far superior rankings, and they further believe Maine will likewise benefit if it enacts a TABOR.

Cameron Sholty, the Wisconsin FreedomWorks state director who also worked in Colorado to organize opposition to Referendum C, is fighting for a TABOR for his fellow Wisconsinites.

"Good policy is good politics, and TABOR is good policy," Sholty said. "But meaningful reform takes a long time. The fact that the movement to limit out-of-control spending in the states has grown from Douglas Bruce passing TABOR in Colorado [in 1992], to over 20 states looking at it today, says a lot. It says the people want more control over their tax dollars, and they are going to keep fighting until they get it."

The Maine View

Published by The Maine Heritage Policy Center

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# A Taxpayer Bill of Rights:
## The Cure for Maine's High Taxes

*by J. Scott Moody, M.A.*

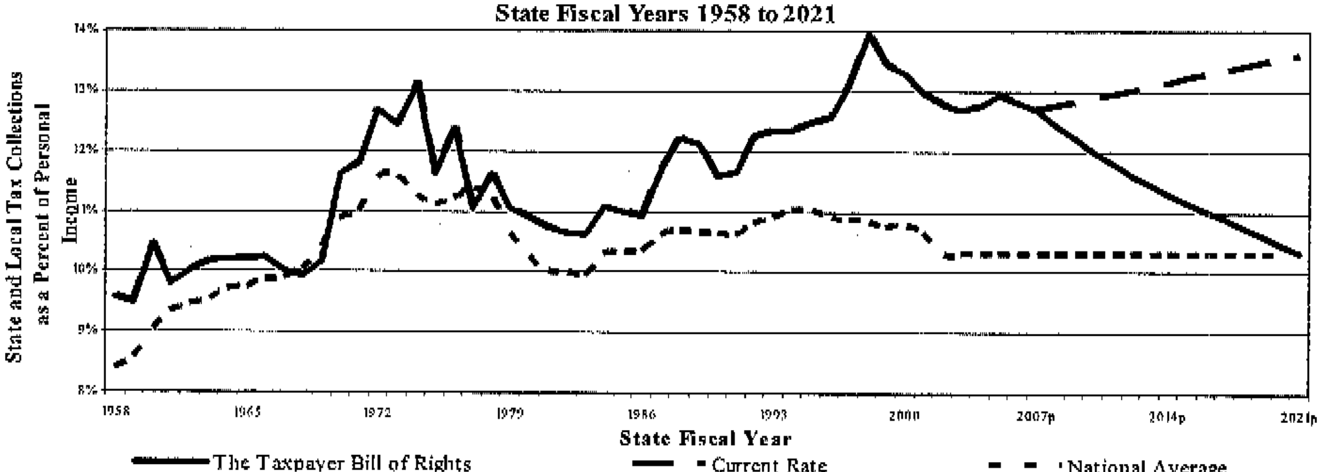
*An Act to Create a Taxpayer Bill of Rights* will be on the November 2006 Maine ballot. Voters will decide whether or not to reign in state and local governmental spending by enacting a predetermined growth allowance. From a tax perspective, this restraint is important because spending is the locomotive for the tax train. In other words, spending determines taxes.

Analyses show that Maine's level of taxation has reached unsustainable heights. As a percent of income, not only were Maine's state and local government tax collections a whopping 24.2 percent higher than the national average in FY 2002, but the trend-line shows a widening disparity between Maine and the national average.

This study examines how the Maine Taxpayer Bill of Rights will arrest, and then reverse, the climb of taxes in Maine over the next 15 years up to 2021. The study assumes that the Maine Taxpayer Bill of Rights goes into effect in FY 2008; is enacted per the exact wording of the ballot initiative; that the growth allowances are not changed; and that other major factors, such as social, economic and government, remain constant. Key findings include:

- Maine's state and local taxes as a percent of personal income are at such a high level that, even under the Maine Taxpayer Bill of Rights, Maine's taxes will not fall to the national average (10.3 percent of personal income) until FY 2021.
- Maine's ranking of state and local taxes as a percent of personal income will fall under the Maine Taxpayer Bill of Rights to number 19 by FY 2021 from number 2 in FY 2006.
- Maine's state and local tax collections grow from approximately $5.6 billion in FY 2006 to $8.7 billion in FY 2021—an average annual increase of nearly $207 million (3.5 percent).
- High tax states, such as Maine, are at a great competitive economic disadvantage vis-à-vis their peer states. [1]
- Maine's municipalities collectively grow almost $63 million per year (2.7 percent) between FY 2008 and FY 2021—almost $39 million (2.8 percent) for education and over $24 million (2.5 percent) for all other local spending.
- This study questions LD 1's ability to meet the statutory provision to lower Maine's tax burden rank to the middle 1/3 of all states by 2015.

**Chart 1**
**Maine's State and Local Tax Collections as a Percent of Personal Income**
**State Fiscal Years 1958 to 2021**




Source: Census Bureau, Bureau of Economic Analysis, MHPC Calculations.

**What is the Maine Taxpayer Bill of Rights?**

The Maine Taxpayer Bill of Rights includes both spending and tax growth allowances based on a well defined formula.[2] A portion of surplus tax collections above the growth allowance are diverted to a budget stabilization fund (20 percent) and the remainder (80 percent) is returned to the taxpayers as either a tax rebate, or a reduction in tax rates.

The state government growth allowance is based on the change in state population plus the inflation rate, determined by the Consumer Price Index (CPI). The growth allowances for local governments are calculated under two separate formulas. First, the school budget growth allowance is determined by taking the percent change in school enrollment and adding that number to the inflation rate. The second half of the municipal spending growth equation is determined by taking the lesser of either the percent change in property valuations, or the percent change in population, and adding that amount to the inflation rate.

Basically, the growth allowance ensures that government grows as the same rate as the population it is serving, at a state, local or school level, plus the rate of inflation.

Exceeding the growth allowance requires a two-thirds majority vote of the governing body and a majority vote of the citizens. Additionally, the Maine Taxpayer Bill of Rights requires any tax increase to meet the same voting requirements. This distinction is important. For example, suppose the state is facing a growth allowance of 3 percent and tax revenue growth of 5 percent. If lawmakers wanted to spend all 5 percent, they would be required to vote a single time, according to the 2/3 supermajority voting provision, and then the increase must gain a majority vote of the citizens. However, suppose the growth allowance and tax revenue growth were both at 3 percent, but lawmakers want to spend 5 percent, requiring a tax increase to raise the additional revenue. In this case, the governing body would have to meet two 2/3 supermajority votes and two majority votes of the citizens—once to exceed the growth allowance, and another in order to raise taxes. Both votes could occur on the same ballot.

The budget stabilization fund was designed to meet the rare circumstances when tax revenue falls below the growth allowance. Funds can be transferred from the budget stabilization fund to offset a shortfall in tax revenue. For example, suppose the state is facing a shortfall of $100 million brought on by the growth allowance amounting to 3 percent and tax revenue growth of -1 percent. The $100 million could be transferred from the budget stabilization fund to meet the shortfall. The budget stabilization fund provides policymakers with another policy alternative to raising taxes in order to meet revenue shortfalls. This mechanism is an improvement over previous versions of the Taxpayer Bill of Rights such as the one in Colorado.

**Maine's State and Local Tax Collections under the Maine Taxpayer Bill of Rights**

Assuming current trends in tax collections hold, the level of taxation will continue to rise as a percent of Mainer's personal income, as shown in Chart 1. The enactment of the Maine Taxpayer Bill of Rights will reverse this ominous trend.

In order to forecast the tax impact of the Maine Taxpayer Bill of Rights, a number of assumptions are necessary: the Maine Taxpayer Bill of Rights will be in effect in FY 2008; be enacted per the exact wording of the ballot initiative; that the growth allowances will not be changed; and that main factors, such as social, economic and government, remain constant.

Table 1 shows the historical growth in S&L tax collections as a percent of income from FY 1958 to FY 2002. The average annual growth rate of S&L tax collections as a percent of income was 0.6 percent. Resulting from this growth, S&L tax collections as a percent of income grew 33 percent—to 12.8 percent in FY 2002 from 9.6 percent in FY 1958.

Table 2 shows the forecasted growth in S&L tax collections as a percent of income from FY 2003 to FY 2021 under the Maine Taxpayer Bill of Rights. As a result of reasonable growth allowances, the average annual growth rate of S&L tax collections as a percent of income will be -1.1 percent. S&L tax collections as a percent of income will shrink 18.9 percent— to 10.3 percent in FY 2021 from 12.7 percent in FY 2003—**causing Maine to reach the current national average for the first time since FY 1977, a hiatus of 44 years.**

Chart 2 shows the annual change of nominal S&L tax collections. Between FY 1958 and FY 2002, the average annual growth rate of S&L nominal tax collections was 8.1 percent. However, with the Maine Taxpayer Bill of Rights, the average annual growth rate of S&L nominal tax collections between FY 2003 and FY 2021 is a much reduced 3.5 percent. Even with the lower growth rate, this growth translates into an average of nearly **<u>$207 million in additional state and local spending per year</u>**.

**Maine's State and Local Tax Rank under the Taxpayer Bill of Rights**

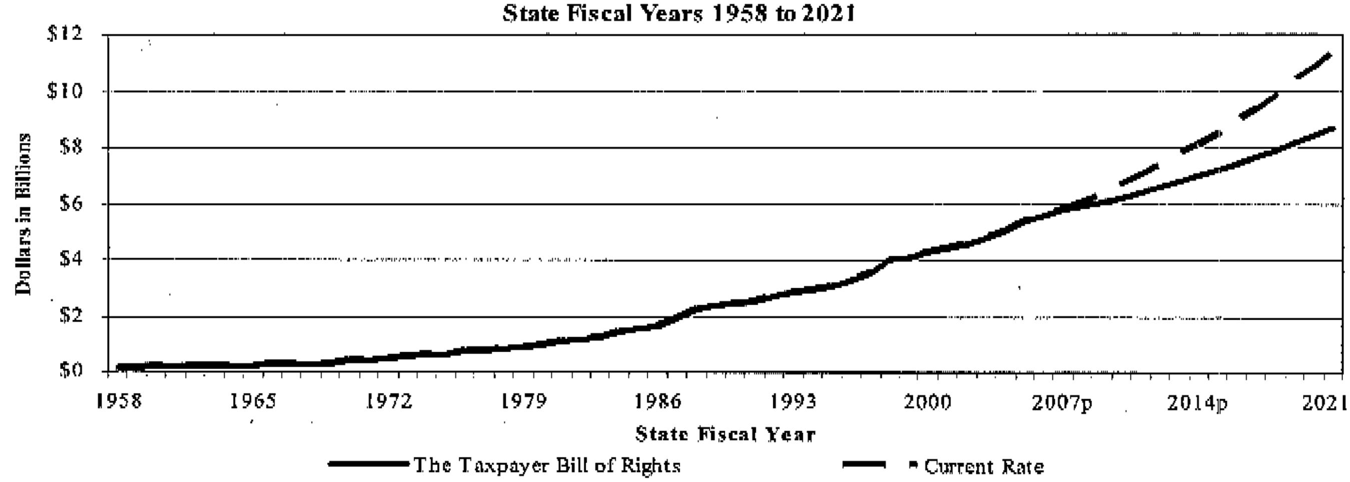
Using data from the U.S. Census Bureau and Bureau of Economic Analysis, Chart 3 plots Maine's S&L tax collections as a percent of income ranked against the other 49 states. In FY 1998, Maine took the dubious distinction of having the highest level of taxation in the nation. Since FY 1998, Maine has not fared any better, settling into the number 2 spot year after year.

Table 1
Maine's Historical State and Local Tax Collections
State Fiscal Years 1958 - 2002
Dollars in Thousands

| State Fiscal Year | National State and Local Tax Collections as a Percent of Personal Income | State and Local | | | | State | | | Local | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Total | Year-over-Year Percent Growth | Percent of Personal Income | Rank | Total | Year-over-Year Percent Growth | Percent of Personal Income | Total | Year-over-Year Percent Growth | Percent of Personal Income |
| 1958* | 8.4% | $157,662 | | 9.6% | 13 | $78,762 | | 4.8% | $78,900 | | 4.8% |
| 1959 | 8.6% | $162,265 | 2.9% | 9.5% | 19 | $81,165 | 3.1% | 4.7% | $81,100 | 2.8% | 4.7% |
| 1960* | 9.0% | $188,429 | 16.1% | 10.5% | 9 | $86,929 | 7.1% | 4.8% | $101,500 | 25.2% | 5.6% |
| 1961 | 9.3% | $182,173 | -3.3% | 9.8% | 20 | $90,073 | 3.6% | 4.8% | $92,100 | -9.3% | 4.9% |
| 1962 | 9.5% | $191,337 | 5.0% | 10.0% | 18 | $93,387 | 3.7% | 4.9% | $97,950 | 6.4% | 5.1% |
| 1963 | 9.5% | $201,574 | 5.4% | 10.2% | 15 | $97,774 | 4.7% | 4.9% | $103,800 | 6.0% | 5.2% |
| 1964 | 9.7% | $213,867 | 6.1% | 10.2% | 19 | $109,667 | 12.2% | 5.2% | $104,200 | 0.4% | 5.0% |
| 1965 | 9.7% | $231,535 | 8.3% | 10.2% | 19 | $117,735 | 7.4% | 5.2% | $113,800 | 9.2% | 5.0% |
| 1966 | 9.9% | $248,788 | 7.5% | 10.2% | 23 | $127,988 | 8.7% | 5.3% | $120,800 | 6.2% | 5.0% |
| 1967 | 9.9% | $257,424 | 3.5% | 10.0% | 25 | $132,524 | 3.5% | 5.1% | $124,900 | 3.4% | 4.8% |
| 1968 | 10.0% | $270,545 | 5.1% | 9.9% | 25 | $146,145 | 10.3% | 5.3% | $124,400 | -0.4% | 4.6% |
| 1969* | 10.4% | $301,321 | 11.4% | 10.2% | 26 | $158,221 | 8.3% | 5.3% | $143,100 | 15.0% | 4.8% |
| 1970* | 10.9% | $377,715 | 25.4% | 11.6% | 14 | $207,615 | 31.2% | 6.4% | $170,100 | 18.9% | 5.2% |
| 1971 | 11.0% | $415,650 | 10.0% | 11.8% | 12 | $232,150 | 11.8% | 6.6% | $183,500 | 7.9% | 5.2% |
| 1972 | 11.5% | $483,959 | 16.4% | 12.7% | 7 | $276,459 | 19.1% | 7.2% | $207,500 | 13.1% | 5.4% |
| 1973* | 11.6% | $528,745 | 9.3% | 12.4% | 7 | $303,645 | 9.8% | 7.1% | $225,100 | 8.5% | 5.3% |
| 1974* | 11.3% | $625,547 | 18.3% | 13.1% | 4 | $336,347 | 10.8% | 7.0% | $289,200 | 28.5% | 6.1% |
| 1975* | 11.1% | $605,115 | -3.3% | 11.6% | 9 | $369,015 | 9.7% | 7.1% | $236,100 | -18.4% | 4.5% |
| 1976 | 11.2% | $718,465 | 18.7% | 12.4% | 8 | $530,565 | 43.8% | 9.1% | $187,900 | -20.4% | 3.2% |
| 1977 | 11.4% | $716,522 | -0.3% | 11.0% | 19 | $468,462 | -11.7% | 7.2% | $248,060 | 32.0% | 3.8% |
| 1978 | 11.2% | $826,676 | 15.4% | 11.6% | 13 | $527,396 | 12.6% | 7.4% | $299,280 | 20.6% | 4.2% |
| 1979 | 10.6% | $875,057 | 5.9% | 11.1% | 17 | $553,769 | 5.0% | 7.0% | $321,288 | 7.4% | 4.1% |
| 1980* | 10.3% | $965,543 | 10.3% | 10.9% | 12 | $619,160 | 11.8% | 7.0% | $346,383 | 7.8% | 3.9% |
| 1981* | 10.0% | $1,062,612 | 10.1% | 10.7% | 13 | $674,316 | 8.9% | 6.8% | $388,296 | 12.1% | 3.9% |
| 1982* | 10.0% | $1,152,869 | 8.5% | 10.6% | 13 | $727,979 | 8.0% | 6.7% | $424,890 | 9.4% | 3.9% |
| 1983 | 10.0% | $1,240,012 | 7.6% | 10.6% | 12 | $780,052 | 7.2% | 6.7% | $459,960 | 8.3% | 3.9% |
| 1984 | 10.3% | $1,420,538 | 14.6% | 11.1% | 12 | $920,273 | 18.0% | 7.2% | $500,265 | 8.8% | 3.9% |
| 1985 | 10.3% | $1,545,328 | 8.8% | 11.0% | 12 | $1,005,216 | 9.2% | 7.2% | $540,112 | 8.0% | 3.8% |
| 1986 | 10.4% | $1,659,782 | 7.4% | 10.9% | 12 | $1,101,381 | 9.6% | 7.2% | $558,401 | 3.4% | 3.7% |
| 1987 | 10.6% | $1,931,357 | 16.4% | 11.7% | 7 | $1,288,480 | 17.0% | 7.8% | $642,877 | 15.1% | 3.9% |
| 1988 | 10.7% | $2,207,217 | 14.3% | 12.2% | 6 | $1,505,523 | 16.8% | 8.3% | $701,694 | 9.1% | 3.9% |
| 1989 | 10.6% | $2,385,169 | 8.1% | 12.1% | 5 | $1,590,423 | 5.6% | 8.1% | $794,746 | 13.3% | 4.0% |
| 1990* | 10.6% | $2,423,966 | 1.6% | 11.6% | 9 | $1,560,869 | -1.9% | 7.5% | $863,097 | 8.6% | 4.1% |
| 1991* | 10.6% | $2,510,360 | 3.6% | 11.7% | 9 | $1,558,231 | -0.2% | 7.2% | $952,129 | 10.3% | 4.4% |
| 1992 | 10.8% | $2,707,735 | 7.9% | 12.2% | 6 | $1,670,488 | 7.2% | 7.5% | $1,037,247 | 8.9% | 4.7% |
| 1993 | 10.9% | $2,824,806 | 4.3% | 12.3% | 7 | $1,763,941 | 5.6% | 7.7% | $1,060,865 | 2.3% | 4.6% |
| 1994 | 11.0% | $2,914,862 | 3.2% | 12.3% | 8 | $1,764,588 | 0.0% | 7.5% | $1,150,274 | 8.4% | 4.9% |
| 1995 | 11.0% | $3,060,691 | 5.0% | 12.5% | 5 | $1,812,574 | 2.7% | 7.4% | $1,248,117 | 8.5% | 5.1% |
| 1996 | 10.9% | $3,231,393 | 5.6% | 12.5% | 5 | $1,896,564 | 4.6% | 7.4% | $1,334,829 | 6.9% | 5.2% |
| 1997 | 10.8% | $3,554,711 | 10.0% | 13.1% | 3 | $2,019,491 | 6.5% | 7.4% | $1,535,220 | 15.0% | 5.7% |
| 1998 | 10.8% | $4,012,318 | 12.9% | 13.9% | 1 | $2,369,820 | 17.3% | 8.2% | $1,642,498 | 7.0% | 5.7% |
| 1999 | 10.7% | $4,082,369 | 1.7% | 13.4% | 2 | $2,540,581 | 7.2% | 8.4% | $1,541,788 | -6.1% | 5.1% |
| 2000 | 10.8% | $4,262,142 | 4.4% | 13.3% | 2 | $2,661,080 | 4.7% | 8.3% | $1,601,062 | 3.8% | 5.0% |
| 2001* | 10.7% | $4,420,465 | 3.7% | 12.9% | 2 | $2,668,938 | 0.3% | 7.8% | $1,751,527 | 9.4% | 5.1% |
| 2002 | 10.3% | $4,541,146 | 2.7% | 12.8% | 2 | $2,626,830 | -1.6% | 7.4% | $1,914,316 | 9.3% | 5.4% |
| Average Annual Increase | 0.5% | $97,411 | 7.8% | 0.6% | -- | $56,624 | 8.1% | 1.0% | $40,787 | 7.3% | 0.3% |

Note: "*" on year denotes recessionary quarter(s).
Source: Census Bureau, Bureau of Economic Analysis, MHPC Calculations.

**Chart 2**
**State and Local Tax Collections Under the Maine Taxpayer Bill of Rights**
**State Fiscal Years 1958 to 2021**




Source: Census Bureau, Bureau of Economic Analysis, MHPC

Table 2
Maine's Projected State and Local Tax Collections Under the Maine Taxpayer Bill of Rights (Effective FY 2008)
State Fiscal Years 2002 - 2021
Dollars in Thousands

| State Fiscal Year | Goal: National State and Local Tax Collections as a Percent of Personal Income (a) | State and Local | | | | State (b) | | | Local | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Total | Year-over-Year Percent Growth | Percent of Personal Income | Rank | Total | Year-over-Year Percent Growth | Percent of Personal Income | Total | Year-over-Year Percent Growth | Percent of Personal Income |
| 2003p | 10.3% | $4,733,224 | 4.2% | 12.7% | 2 | $2,697,275 | 2.7% | 7.2% | $2,035,949 | 6.4% | 5.5% |
| 2004p | 10.3% | $5,035,982 | 6.4% | 12.7% | 2 | $2,896,759 | 7.4% | 7.3% | $2,139,223 | 5.1% | 5.4% |
| 2005p | 10.3% | $5,335,404 | 5.9% | 12.9% | 2 | $3,071,161 | 6.0% | 7.4% | $2,264,243 | 5.8% | 5.5% |
| 2006p | 10.3% | $5,552,959 | 4.1% | 12.8% | 2 | $3,245,056 | 5.7% | 7.5% | $2,307,903 | 1.9% | 5.3% |
| 2007p | 10.3% | $5,739,537 | 3.4% | 12.7% | 2 | $3,360,282 | 3.6% | 7.4% | $2,379,256 | 3.1% | 5.3% |
| 2008 (TABOR) | 10.3% | $5,884,431 | 2.5% | 12.4% | 2 | $3,473,838 | 3.4% | 7.3% | $2,410,593 | 1.3% | 5.1% |
| 2009 (TABOR) | 10.3% | $6,038,690 | 2.6% | 12.2% | 2 | $3,590,515 | 3.4% | 7.3% | $2,448,174 | 1.6% | 4.9% |
| 2010 (TABOR) | 10.3% | $6,201,968 | 2.7% | 12.0% | 2 | $3,710,596 | 3.3% | 7.2% | $2,491,372 | 1.8% | 4.8% |
| 2011 (TABOR) | 10.3% | $6,375,873 | 2.8% | 11.8% | 4 | $3,833,837 | 3.3% | 7.1% | $2,542,036 | 2.0% | 4.7% |
| 2012 (TABOR) | 10.3% | $6,562,992 | 2.9% | 11.6% | 4 | $3,960,218 | 3.3% | 7.0% | $2,602,774 | 2.4% | 4.6% |
| 2013 (TABOR) | 10.3% | $6,760,998 | 3.0% | 11.5% | 5 | $4,089,609 | 3.3% | 6.9% | $2,671,389 | 2.6% | 4.5% |
| 2014 (TABOR) | 10.3% | $6,967,271 | 3.1% | 11.3% | 5 | $4,221,870 | 3.2% | 6.8% | $2,745,401 | 2.8% | 4.5% |
| 2015 (TABOR) | 10.3% | $7,185,527 | 3.1% | 11.1% | 6 | $4,356,901 | 3.2% | 6.8% | $2,828,626 | 3.0% | 4.4% |
| 2016 (TABOR) | 10.3% | $7,415,497 | 3.2% | 11.0% | 6 | $4,494,802 | 3.2% | 6.7% | $2,920,694 | 3.3% | 4.3% |
| 2017 (TABOR) | 10.3% | $7,653,133 | 3.2% | 10.9% | 12 | $4,635,299 | 3.1% | 6.6% | $3,017,834 | 3.3% | 4.3% |
| 2018 (TABOR) | 10.3% | $7,896,745 | 3.2% | 10.7% | 12 | $4,778,263 | 3.1% | 6.5% | $3,118,482 | 3.3% | 4.2% |
| 2019 (TABOR) | 10.3% | $8,146,167 | 3.2% | 10.6% | 13 | $4,923,550 | 3.0% | 6.4% | $3,222,618 | 3.3% | 4.2% |
| 2020 (TABOR) | 10.3% | $8,401,659 | 3.1% | 10.5% | 16 | $5,071,306 | 3.0% | 6.3% | $3,330,353 | 3.3% | 4.1% |
| 2021 (TABOR) | 10.3% | $8,663,787 | 3.1% | 10.3% | 19 | $5,221,486 | 3.0% | 6.2% | $3,442,301 | 3.4% | 4.1% |
| Average Annual Increase | -- | $206,872 | 3.5% | -1.1% | -- | $132,853 | 3.7% | -0.8% | $74,019 | 3.1% | -1.5% |

(a) Held constant.
(b) State Tax Collections for FY 2003, 2004 and 2005 are actual not projected.
Source: Census Bureau, Bureau of Economic Analysis, MHPC Calculations.

**Maine's S&L tax collections as a percent of personal income are so far above the national average that Maine's rankings do not appreciably change under the Taxpayer Bill of Rights until after 2017.** In fact, in FY 2002 there is an 8 percent gap between number 2 ranked Maine and the number 3 and 4 ranked states Wyoming and Hawaii. The percentage gap widens to a 17 percent gap from number 10 ranked state New Mexico, and a 26 percent gap from number 25 ranked Arizona.

As a result, Maine does not start significantly falling in the rankings until the tenth year under the Maine Taxpayer Bill of Rights. In FY 2017 Maine's ranking will fall modestly to number 12 from number 6. As Maine starts to close in on the national average, movement in the rankings become more significant. By FY 2021, Maine sheds another 7 places to rank at number 19.

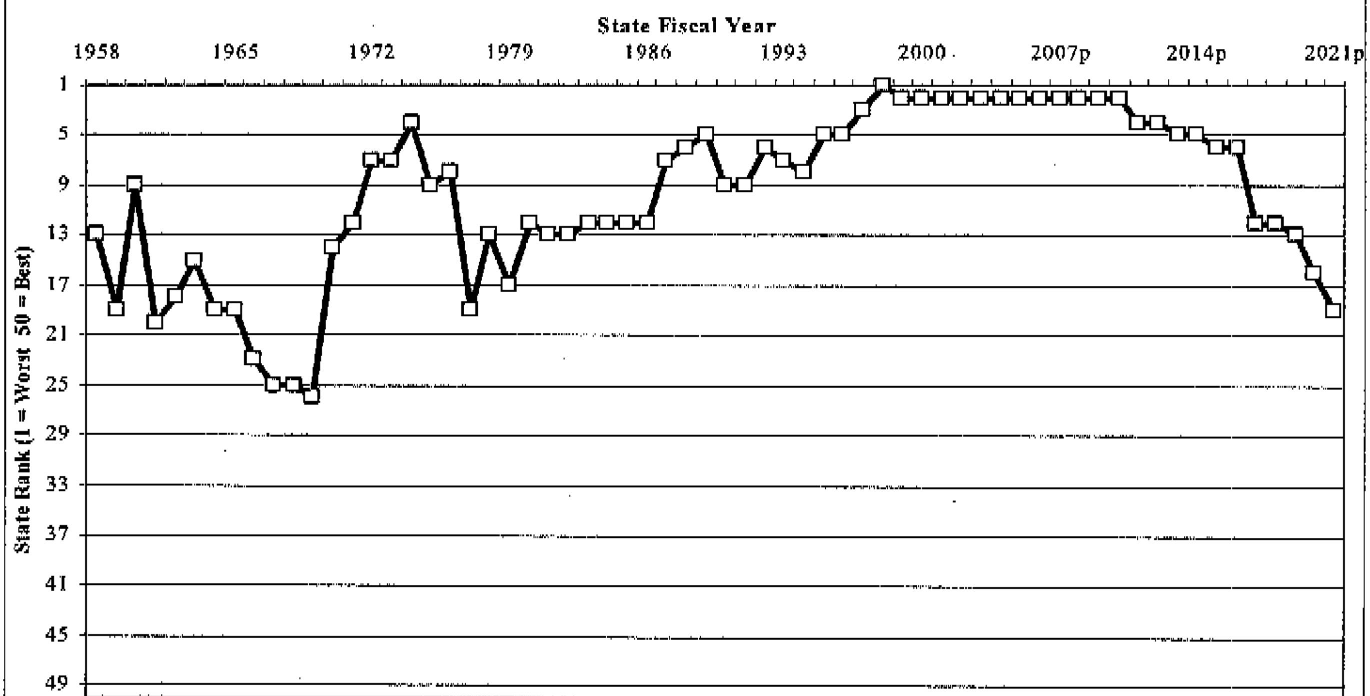
**The Maine Taxpayer Bill of Rights is Economic Development**

In his extensive review of the academic literature on taxation and economic development, Professor Michael Wasylenko, Professor of Economics, Senior Associate Dean for Academic Administration for the Maxwell School, CPR Senior Research Associate at Syracuse University concluded that:

> "This review of the literature suggests that taxes have a small, statistically significant effect on interregional location behavior. The suggested estimate of the interregional elasticity is -0.2. However, all elasticity estimates must be viewed in context of the state and its fiscal position vis-à-vis other states. The effect of a specific state's taxes depends not only on elasticity, but also on the extent to which the state's overall (state and local) tax levels are significantly different from the average of the states it competes against. ***A large deviation from the average tax level, multiplied by the tax elasticity, will yield a large, location, employment and investment effect.*** " [1] (emphasis added)

Maine's business and economic climate is seriously handicapped with S&L tax collections as a percent of personal income 24.2 percent above the national average in FY 2002—second only to New York's 27.2 percent above the national average. Following Wasylenko's conclusion, Maine is leaving a lot of economic development money on the table. The Maine Taxpayer Bill of Rights will put Maine on a path of sustained reduction in tax levels. The Maine Taxpayer Bill of Rights is an important, and effective, economic development tool. **For**

**Chart 3**
**Maine's State and Local Tax Rank Under the Maine Taxpayer Bill of Rights**
**State Fiscal Years 1958 to 2021**




Source: Census Bureau, Bureau of Economic Analysis, MHPC Calculations.

**Maine taxpayers this not only means lower tax bills, but also higher incomes and more jobs.**

To put Maine's high level of taxation in perspective, Chart 4 and Chart 5 plot the deviation of the 50 states from the national average. Chart 4 shows the distribution of states in FY 2002 with the national average at 10.3 percent—states to the right are above the national average while states to the left are below the national average. New York has the largest deviation at 2.8 percentage points above the national average (27.2 percent) while Maine is close behind at 2.5 percentage points above the national average (24.2 percent) percent. On the flip side, Tennessee has the largest deviation at 2 percentage points below the national average (-19.4 percent) with Maine's neighbor, New Hampshire, close behind at 1.9 percentage points below the national average (-18.4 percent).

However, as shown in Chart 5, the national average of S&L tax collections as a percent of income is a moving target. Chart 5 compares the distribution of states around the national average in FY 1958 and FY 2002. Since FY 1958, the national average increased by 22.6 percent to 10.3 percent from 8.4 percent. Although many today would view a state like New Hampshire's level of taxation as extremely low at 8.4 percent, in FY 1958, New Hampshire would have merely been at the national average. In FY 1958, the state with the lowest level of taxation was Delaware at 6.1 percent—New Hampshire was at 7.9 percent. On the other hand, in FY 1958, Vermont had the highest level of taxation at 11.7 percent. In FY 1958, Maine was much closer, though still higher than the national average, at 9.6 percent.

Finally, Chart 5 may provide an answer for why the academic literature, as reviewed by Dr. Wasylenko, has such a tough time finding large tax effects on the economy—state tax competition. In FY 1958, there were 26 states within a 1 percentage point deviation (plus or minus) from the national average. In FY 2002, there were 38 states within a 1 percentage point deviation (plus or minus) from the national average—an increase of 46 percent. Such a large clustering of states is evidence that policymakers are aware that taxes matter to economic development. And that being a high tax outlier state, such as Maine, is a serious concern.

### Counties and Municipalities under the Maine Taxpayer Bill of Rights

Table 4 shows the growth allowances by county under the Maine Taxpayer Bill of Rights. Since counties are primarily funded by municipalities, the county summaries shown are the summation of municipal growth allowances. Due to space constraints, municipal summaries are not included in the printed report. However, they are posted on the Maine Heritage Policy Center's website: www.mainepolicy.org.

Table 4 shows that Maine's local governments will cumulatively have a nominal growth allowance of nearly $63 million per year (2.7 percent average growth rate) between FY 2008 and FY 2021. This growth allowance breaks down to nearly $39 million per year (2.8 percent average growth rate) for education and over $24 million (2.5 percent average growth rate) for all other local spending.

However, at the municipal level there is a much greater variance of growth allowances ranging from the 195 municipalities that will see an average annual growth allowance greater than 3 percent, to the 14 municipalities that will have an average annual growth allowance less than -3 percent. Overall, 440 municipalities will have a positive average annual growth allowance (representing 96.3 percent of the population in 2006), and 48 municipalities will have a negative average annual growth allowance (representing 3.7 percent of the population in 2006).

The municipal average annual growth allowances are shown geographically in Map 1. Those municipalities with the highest positive annual growth allowances (greater than 3 percent) are predominantly located in the southwestern part of the state (south and west of Augusta). On the other hand, those municipalities with most negative annual growth allowance (below -3 percent) are predominantly located in the northeastern part of the state (north and east of Augusta).

Naturally, many of the differences in growth allowances result from Maine's extreme demographic challenges—especially the internal population migration away from the economically struggling north to the more economically vibrant south, and the state-wide drop in school enrollments. The demographic shifts highlight the need for the Maine Taxpayer Bill of Rights as it will force local governments to reexamine and reduce their current level of spending and taxation. In the long run, the lower level of taxation will bring businesses and people back. In contrast, the status quo will only lead to the creation of ghost towns—for example, Centerville deorganized in 2004.

### LD 1 versus the Maine Taxpayer Bill of Rights

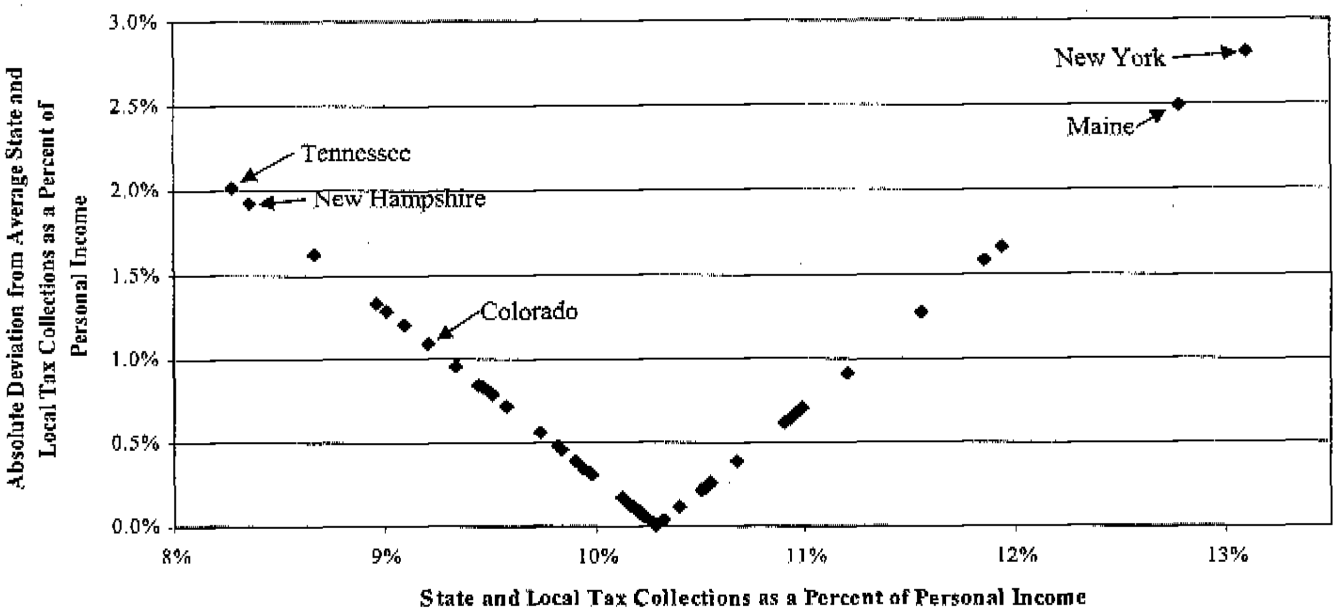
From LD 1:

> *"It is the goal and policy of the State that by 2015 the State's total state and local tax burden be ranked in the middle 1/3 of all states, as determined by the United States Census Bureau's most recent tax burden analysis, adjusted by the assessor to reflect the State's unique expenditure tax relief programs."* [3]

This analysis casts doubt that LD 1 will be able to fulfill its statutory duty of lowering Maine's state and local tax burden to the "middle 1/3 of all states" by 2015 for several reasons:

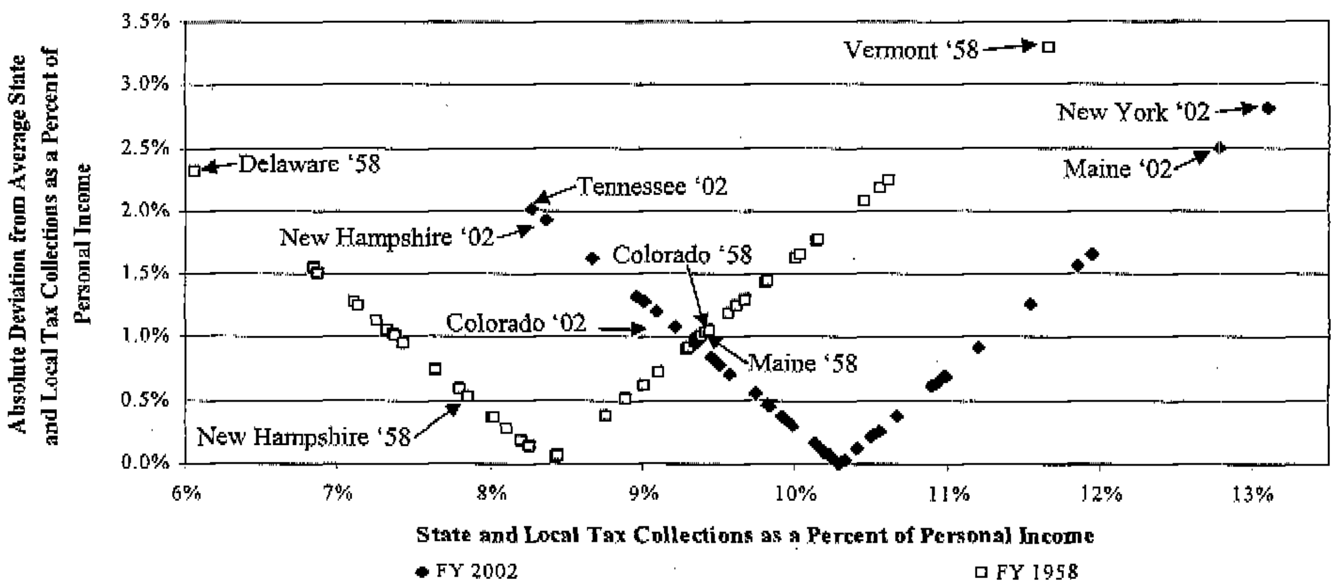
1. The level of taxation to be considered "in the middle 1/3 of all states" in FY 2002 began at 10.3 percent—
*Continued on page 13.*

**Chart 4**
**Absolute Deviation from Average and Total State and Local Tax Collections as Percent of Personal Income**
**State Fiscal Year 2002**




Source: Census Bureau, Bureau of Economic Analysis, MHPC

**Chart 5**
**Absolute Deviation from Average and Total State and Local Tax Collections as Percent of Personal Income**
**State Fiscal Years 1958 and 2002**




Source: Census Bureau, Bureau of Economic Analysis, MHPC

**Map 1**
**The Maine Taxpayer Bill of Rights Projected Average Growth Allowances by Municipality State Fiscal Years 2008 to 2021**

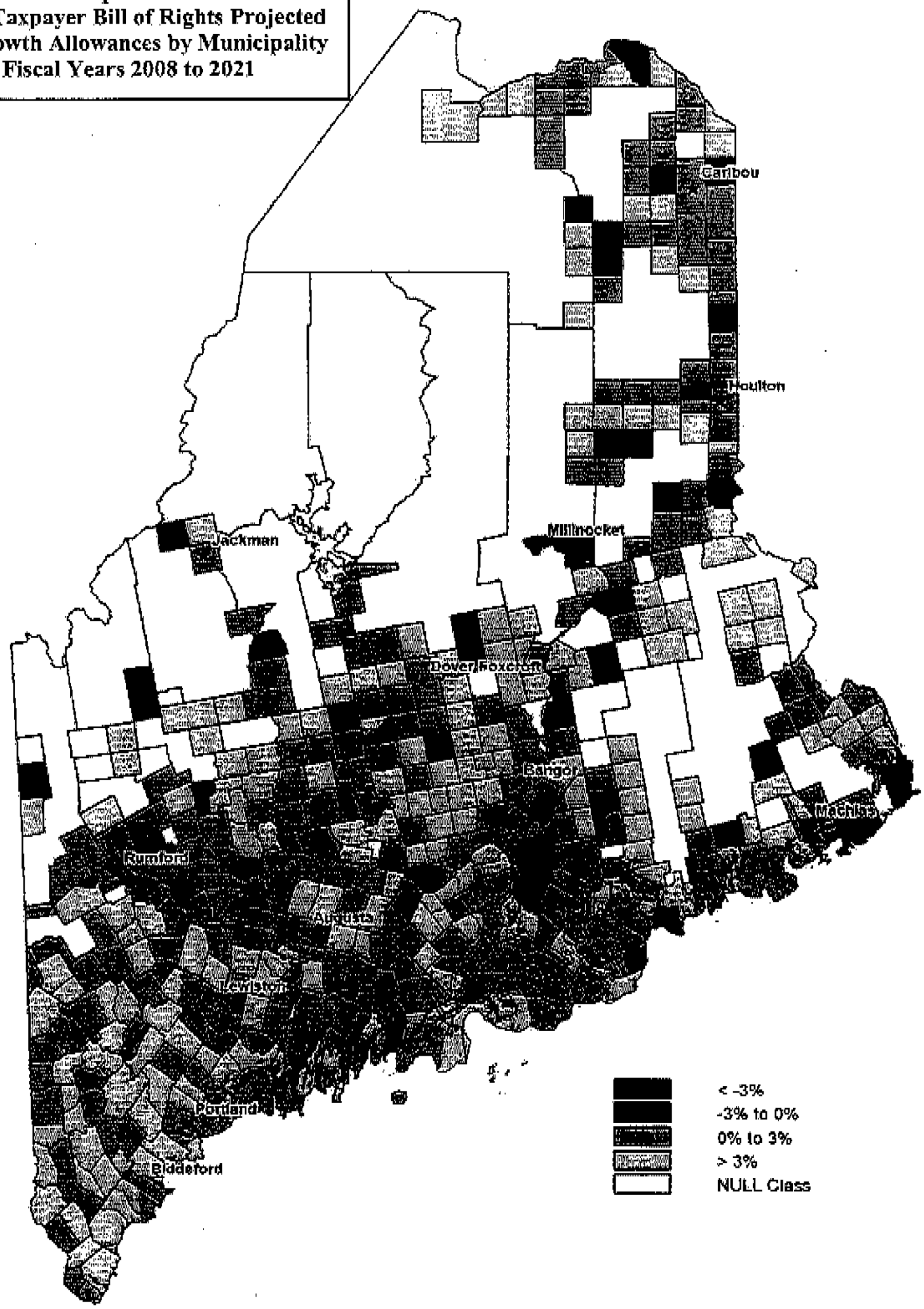


Table 4
The Taxpayer Bill of Rights Growth Allowances by County
State Fiscal Years 2008 to 2021
Dollars in Millions

| County | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Average Increase |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ANDROSCOGGIN | Change in Total Taxes Paid: | $2.245 | $2.516 | $2,757 | $3,125 | $3,594 | $3,982 | $4.297 | $4,704 | $5,096 | $5.325 | $5,483 | $5,648 | $5,822 | $6,023 | $4,330 |
| | Change in Taxes Paid for "Education": | $478 | $735 | $963 | $1,320 | $1,780 | $2,160 | $2,470 | $2,878 | $3,271 | $3,504 | $3,668 | $3,840 | $4,021 | $4,210 | $2,521 |
| | Change in Taxes Paid for "Other": | $1,767 | $1,780 | $1.794 | $1,804 | $1,814 | $1,822 | $1,826 | $1,825 | $1,824 | $1,821 | $1,815 | $1,808 | $1,801 | $1,813 | $1,808 |
| | Percent Change in Total Taxes Paid: | 1.6% | 1.8% | 1.9% | 2.2% | 2.4% | 2.6% | 2.8% | 2.9% | 3.1% | 3.1% | 3.1% | 3.1% | 3.1% | 3.1% | 2.6% |
| | Percent Change in Taxes Paid for "Education": | 0.7% | 1.1% | 1.4% | 1.9% | 2.5% | 3.0% | 3.3% | 3.8% | 4.1% | 4.2% | 4.2% | 4.3% | 4.3% | 4.3% | 3.1% |
| | Percent Change in Taxes Paid for "Other": | 2.5% | 2.5% | 2.4% | 2.4% | 2.3% | 2.3% | 2.2% | 2.2% | 2.1% | 2.1% | 2.0% | 2.0% | 1.9% | 1.9% | 2.2% |
| AROOSTOOK | Change in Total Taxes Paid: | -$236 | -$150 | $35 | $337 | $701 | $966 | $1,035 | $1,291 | $1,538 | $1,603 | $1,641 | $1,748 | $1,819 | $1,909 | $1,017 |
| | Change in Taxes Paid for "Education": | -$387 | -$297 | -$109 | $197 | $565 | $835 | $899 | $1,095 | $1,347 | $1,419 | $1,495 | $1,575 | $1,659 | $1,747 | $860 |
| | Change in Taxes Paid for "Other": | $150 | $147 | $144 | $140 | $136 | $130 | $136 | $196 | $192 | $184 | $175 | $165 | $155 | $158 | $158 |
| | Percent Change in Total Taxes Paid: | -0.4% | -0.2% | 0.1% | 0.5% | 1.1% | 1.5% | 1.6% | 1.9% | 2.2% | 2.3% | 2.3% | 2.4% | 2.4% | 2.5% | 1.4% |
| | Percent Change in Taxes Paid for "Education": | -1.0% | -0.8% | -0.3% | 0.5% | 1.5% | 2.2% | 2.4% | 2.8% | 3.4% | 3.4% | 3.5% | 3.6% | 3.6% | 3.7% | 2.0% |
| | Percent Change in Taxes Paid for "Other": | 0.5% | 0.5% | 0.5% | 0.5% | 0.5% | 0.5% | 0.5% | 0.7% | 0.7% | 0.6% | 0.6% | 0.6% | 0.5% | 0.5% | 0.6% |
| CUMBERLAND | Change in Total Taxes Paid: | $10,213 | $11,985 | $12,925 | $14,762 | $17,138 | $18,803 | $20,656 | $22,751 | $24,678 | $26,326 | $27,246 | $28,164 | $29,129 | $30,231 | $21,072 |
| | Change in Taxes Paid for "Education": | $3,087 | $4,699 | $5,465 | $7,141 | $9,360 | $10.876 | $12,600 | $14,597 | $16,432 | $18,006 | $18,874 | $19,788 | $20,748 | $21,758 | $13,102 |
| | Change in Taxes Paid for "Other": | $7,126 | $7,286 | $7,461 | $7,621 | $7,778 | $7,927 | $8,056 | $8,155 | $8,246 | $8,320 | $8,371 | $8,376 | $8,381 | $8,473 | $7,970 |
| | Percent Change in Total Taxes Paid: | 1.9% | 2.1% | 2.3% | 2.5% | 2.9% | 3.0% | 3.2% | 3.5% | 3.6% | 3.7% | 3.7% | 3.7% | 3.7% | 3.7% | 3.1% |
| | Percent Change in Taxes Paid for "Education": | 0.9% | 1.4% | 1.6% | 2.1% | 2.7% | 3.0% | 3.4% | 3.8% | 4.2% | 4.4% | 4.4% | 4.4% | 4.4% | 4.4% | 3.2% |
| | Percent Change in Taxes Paid for "Other": | 3.2% | 3.2% | 3.2% | 3.1% | 3.1% | 3.1% | 3.0% | 3.0% | 2.9% | 2.9% | 2.8% | 2.7% | 2.6% | 2.6% | 2.9% |
| FRANKLIN | Change in Total Taxes Paid: | $334 | $522 | $500 | $665 | $820 | $938 | $1.018 | $1,061 | $1,238 | $1,258 | $1,298 | $1,337 | $1,379 | $1,429 | $985 |
| | Change in Taxes Paid for "Education": | -$286 | -$110 | -$143 | $15 | $163 | $275 | $350 | $389 | $561 | $577 | $614 | $653 | $692 | $733 | $320 |
| | Change in Taxes Paid for "Other": | $620 | $632 | $642 | $650 | $657 | $663 | $668 | $673 | $677 | $681 | $683 | $685 | $687 | $696 | $665 |
| | Percent Change in Total Taxes Paid: | 0.7% | 1.1% | 1.0% | 1.3% | 1.6% | 1.8% | 2.0% | 2.0% | 2.3% | 2.3% | 2.3% | 2.3% | 2.3% | 2.4% | 1.8% |
| | Percent Change in Taxes Paid for "Education": | -1.1% | -0.4% | -0.5% | 0.1% | 0.6% | 1.0% | 1.3% | 1.4% | 2.0% | 2.1% | 2.1% | 2.2% | 2.3% | 2.4% | 1.1% |
| | Percent Change in Taxes Paid for "Other": | 2.9% | 2.9% | 2.8% | 2.8% | 2.7% | 2.7% | 2.6% | 2.6% | 2.5% | 2.5% | 2.4% | 2.4% | 2.3% | 2.3% | 2.6% |

Table 4 Continued

Table 4 Continued

| | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Average Increase |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| HANCOCK | Change in Total Taxes Paid: | $765 | $660 | $1,715 | $1,827 | $2,378 | $2,772 | $2,149 | $3,136 | $3,433 | $3,573 | $3,687 | $3,805 | $3,929 | $4,085 | $2,708 |
| | Change in Taxes Paid for "Education": | -$355 | -$471 | $571 | $675 | $1,217 | $1,609 | $983 | $1,971 | $2,268 | $2,410 | $2,527 | $2,650 | $2,780 | $2,916 | $1,554 |
| | Change in Taxes Paid for "Other": | $1,120 | $1,132 | $1,143 | $1,153 | $1,161 | $1,164 | $1,166 | $1,165 | $1,165 | $1,163 | $1,160 | $1,155 | $1,150 | $1,169 | $1,155 |
| | Percent Change in Total Taxes Paid: | 0.7% | 0.6% | 1.6% | 1.6% | 2.1% | 2.4% | 1.8% | 2.6% | 2.8% | 2.8% | 2.8% | 2.8% | 2.9% | 2.9% | 2.2% |
| | Percent Change in Taxes Paid for "Education": | -0.5% | -0.7% | 0.9% | 1.0% | 1.8% | 2.4% | 1.4% | 2.8% | 3.2% | 3.2% | 3.3% | 3.4% | 3.4% | 3.5% | 2.1% |
| | Percent Change in Taxes Paid for "Other": | 2.7% | 2.6% | 2.6% | 2.5% | 2.5% | 2.4% | 2.4% | 2.3% | 2.3% | 2.2% | 2.2% | 2.1% | 2.1% | 2.1% | 2.4% |
| KENNEBEC | Change in Total Taxes Paid: | $781 | $1,057 | $1,329 | $1,710 | $2,292 | $2,684 | $3,017 | $3,496 | $3,971 | $4,184 | $4,306 | $4,427 | $4,553 | $4,710 | $3,037 |
| | Change in Taxes Paid for "Education": | -$169 | $103 | $372 | $750 | $1,329 | $1,719 | $2,051 | $2,529 | $3,008 | $3,227 | $3,359 | $3,496 | $3,640 | $3,791 | $2,086 |
| | Change in Taxes Paid for "Other": | $950 | $954 | $958 | $960 | $963 | $965 | $967 | $967 | $963 | $957 | $948 | $930 | $913 | $919 | $951 |
| | Percent Change in Total Taxes Paid: | 0.6% | 0.8% | 1.0% | 1.3% | 1.7% | 1.9% | 2.1% | 2.4% | 2.7% | 2.7% | 2.7% | 2.7% | 2.7% | 2.8% | 2.0% |
| | Percent Change in Taxes Paid for "Education": | -0.2% | 0.1% | 0.5% | 0.9% | 1.6% | 2.0% | 2.4% | 2.9% | 3.3% | 3.4% | 3.5% | 3.5% | 3.5% | 3.5% | 2.2% |
| | Percent Change in Taxes Paid for "Other": | 1.9% | 1.8% | 1.8% | 1.8% | 1.8% | 1.7% | 1.7% | 1.7% | 1.6% | 1.6% | 1.6% | 1.5% | 1.5% | 1.5% | 1.7% |
| KNOX | Change in Total Taxes Paid: | $1,096 | $1,386 | $1,582 | $1,753 | $2,116 | $2,463 | $2,702 | $3,015 | $3,395 | $3,534 | $3,671 | $3,814 | $3,966 | $4,142 | $2,760 |
| | Change in Taxes Paid for "Education": | $158 | $430 | $606 | $759 | $1,105 | $1,436 | $1,660 | $1,960 | $2,327 | $2,455 | $2,584 | $2,719 | $2,862 | $3,013 | $1,720 |
| | Change in Taxes Paid for "Other": | $938 | $956 | $976 | $994 | $1,011 | $1,027 | $1,042 | $1,055 | $1,068 | $1,078 | $1,087 | $1,095 | $1,104 | $1,129 | $1,040 |
| | Percent Change in Total Taxes Paid: | 1.4% | 1.8% | 2.0% | 2.1% | 2.5% | 2.9% | 3.1% | 3.3% | 3.6% | 3.6% | 3.6% | 3.6% | 3.7% | 3.7% | 2.9% |
| | Percent Change in Taxes Paid for "Education": | 0.3% | 0.9% | 1.2% | 1.5% | 2.2% | 2.8% | 3.2% | 3.6% | 4.2% | 4.2% | 4.2% | 4.3% | 4.3% | 4.4% | 3.0% |
| | Percent Change in Taxes Paid for "Other": | 3.1% | 3.1% | 3.1% | 3.0% | 3.0% | 2.9% | 2.9% | 2.9% | 2.8% | 2.8% | 2.7% | 2.7% | 2.6% | 2.6% | 2.9% |
| LINCOLN | Change in Total Taxes Paid: | $464 | $595 | $731 | $949 | $1,196 | $1,517 | $1,524 | $1,717 | $2,041 | $2,119 | $2,186 | $2,255 | $2,324 | $2,399 | $1,573 |
| | Change in Taxes Paid for "Education": | -$167 | -$47 | $75 | $283 | $519 | $830 | $828 | $1,012 | $1,327 | $1,398 | $1,459 | $1,522 | $1,589 | $1,659 | $878 |
| | Change in Taxes Paid for "Other": | $630 | $642 | $655 | $667 | $677 | $687 | $696 | $705 | $714 | $721 | $727 | $732 | $735 | $739 | $695 |
| | Percent Change in Total Taxes Paid: | 0.7% | 0.9% | 1.1% | 1.5% | 1.8% | 2.2% | 2.2% | 2.4% | 2.8% | 2.8% | 2.9% | 2.9% | 2.9% | 2.9% | 2.1% |
| | Percent Change in Taxes Paid for "Education": | -0.4% | -0.1% | 0.2% | 0.7% | 1.2% | 1.9% | 1.9% | 2.3% | 2.9% | 3.0% | 3.0% | 3.1% | 3.1% | 3.1% | 1.9% |
| | Percent Change in Taxes Paid for "Other": | 2.9% | 2.9% | 2.9% | 2.8% | 2.8% | 2.8% | 2.7% | 2.7% | 2.7% | 2.6% | 2.6% | 2.5% | 2.5% | 2.4% | 2.7% |

Table 4 Continued

Table 4 Continued

| | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Average Increase |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| OXFORD | Change in Total Taxes Paid: | $698 | $905 | $1,007 | $1,247 | $1,473 | $1,783 | $1,901 | $1,945 | $2,343 | $2,441 | $2.510 | $2,580 | $2,655 | $2,758 | $1,875 |
| | Change in Taxes Paid for "Education": | $118 | $327 | $429 | $672 | $901 | $1.217 | $1,340 | $1,393 | $1,801 | $1,911 | $1,992 | $2,077 | $2,165 | $2,258 | $1,329 |
| | Change in Taxes Paid for "Other": | $579 | $578 | $577 | $575 | $571 | $567 | $561 | $552 | $542 | $530 | $518 | $504 | $490 | $500 | $546 |
| | Percent Change in Total Taxes Paid: | 0.9% | 1.2% | 1.3% | 1.6% | 1.9% | 2.2% | 2.3% | 2.3% | 2.7% | 2.8% | 2.8% | 2.8% | 2.8% | 2.8% | 2.2% |
| | Percent Change in Taxes Paid for "Education": | 0.3% | 0.7% | 0.9% | 1.5% | 1.9% | 2.5% | 2.7% | 2.8% | 3.5% | 3.6% | 3.6% | 3.6% | 3.6% | 3.7% | 2.5% |
| | Percent Change in Taxes Paid for "Other": | 1.9% | 1.9% | 1.9% | 1.8% | 1.8% | 1.7% | 1.7% | 1.6% | 1.6% | 1.5% | 1.5% | 1.4% | 1.3% | 1.3% | 1.6% |
| PENOBSCOT | Change in Total Taxes Paid: | $1,363 | $1,755 | $2,065 | $2,537 | $3,136 | $3.603 | $3,994 | $4,561 | $5,080 | $5,447 | $5.774 | $5,985 | $6,206 | $6,462 | $4,141 |
| | Change in Taxes Paid for "Education": | -$51 | $323 | $611 | $1,068 | $1,655 | $2,113 | $2,498 | $3,061 | $3,576 | $3,942 | $4,151 | $4.367 | $4,591 | $4,824 | $2,623 |
| | Change in Taxes Paid for "Other": | $1,414 | $1,433 | $1,454 | $1,469 | $1.481 | $1,490 | $1,496 | $1,500 | $1,504 | $1,504 | $1,623 | $1,619 | $1,615 | $1,638 | $1,517 |
| | Percent Change in Total Taxes Paid: | 0.8% | 1.1% | 1.2% | 1.5% | 1.8% | 2.1% | 2.3% | 2.5% | 2.7% | 2.9% | 2.9% | 3.0% | 3.0% | 3.0% | 2.2% |
| | Percent Change in Taxes Paid for "Education": | -0.1% | 0.3% | 0.6% | 1.1% | 1.7% | 2.1% | 2.5% | 3.0% | 3.4% | 3.6% | 3.6% | 3.7% | 3.8% | 3.8% | 2.4% |
| | Percent Change in Taxes Paid for "Other": | 2.1% | 2.1% | 2.1% | 2.0% | 2.0% | 2.0% | 2.0% | 1.9% | 1.9% | 1.9% | 2.0% | 1.9% | 1.9% | 1.9% | 2.0% |
| PISCATAQUIS | Change in Total Taxes Paid: | $39 | $80 | $180 | $214 | $297 | $362 | $417 | $440 | $508 | $534 | $559 | $586 | $615 | $650 | $391 |
| | Change in Taxes Paid for "Education": | -$145 | -$106 | -$9 | $24 | $106 | $171 | $225 | $248 | $316 | $342 | $368 | $395 | $425 | $457 | $201 |
| | Change in Taxes Paid for "Other": | $184 | $186 | $188 | $190 | $191 | $192 | $192 | $192 | $192 | $192 | $192 | $191 | $190 | $193 | $190 |
| | Percent Change in Total Taxes Paid: | 0.2% | 0.4% | 1.0% | 1.2% | 1.6% | 1.9% | 2.2% | 2.2% | 2.5% | 2.6% | 2.7% | 2.7% | 2.8% | 2.8% | 1.9% |
| | Percent Change in Taxes Paid for "Education": | -1.5% | -1.1% | -0.1% | 0.3% | 1.1% | 1.7% | 2.3% | 2.4% | 3.0% | 3.2% | 3.3% | 3.5% | 3.6% | 3.7% | 1.8% |
| | Percent Change in Taxes Paid for "Other": | 2.3% | 2.2% | 2.2% | 2.2% | 2.2% | 2.1% | 2.1% | 2.0% | 2.0% | 2.0% | 1.9% | 1.9% | 1.8% | 1.8% | 2.0% |
| SAGADAHOC | Change in Total Taxes Paid: | $680 | $839 | $938 | $1,094 | $1,324 | $1,462 | $1,591 | $1,727 | $1,914 | $1,970 | $2,009 | $2,049 | $2,091 | $2,159 | $1,560 |
| | Change in Taxes Paid for "Education": | -$69 | $88 | $189 | $352 | $587 | $735 | $874 | $1,024 | $1,225 | $1,298 | $1,354 | $1,414 | $1,476 | $1,542 | $864 |
| | Change in Taxes Paid for "Other": | $749 | $751 | $748 | $743 | $736 | $727 | $716 | $703 | $689 | $672 | $654 | $635 | $615 | $618 | $697 |
| | Percent Change in Total Taxes Paid: | 1.1% | 1.3% | 1.5% | 1.7% | 2.0% | 2.2% | 2.3% | 2.5% | 2.7% | 2.7% | 2.7% | 2.6% | 2.6% | 2.6% | 2.2% |
| | Percent Change in Taxes Paid for "Education": | -0.2% | 0.3% | 0.6% | 1.0% | 1.7% | 2.1% | 2.4% | 2.8% | 3.3% | 3.3% | 3.4% | 3.4% | 3.4% | 3.5% | 2.2% |
| | Percent Change in Taxes Paid for "Other": | 2.7% | 2.6% | 2.5% | 2.5% | 2.4% | 2.3% | 2.2% | 2.1% | 2.0% | 1.9% | 1.9% | 1.8% | 1.7% | 1.7% | 2.2% |

Table 4 Continued

Table 4 Continued

| County | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Average Increase |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| SOMERSET | Change in Total Taxes Paid: | $576 | $780 | $889 | $1,113 | $1,452 | $1,647 | $1,807 | $2,148 | $2,448 | $2,539 | $2,640 | $2,745 | $2,855 | $2,986 | $1,902 |
| | Change in Taxes Paid for "Education": | $171 | $372 | $481 | $703 | $1,042 | $1,236 | $1,397 | $1,739 | $2,039 | $2,131 | $2,233 | $2,340 | $2,453 | $2,571 | $1,493 |
| | Change in Taxes Paid for "Other": | $406 | $407 | $409 | $410 | $410 | $410 | $410 | $409 | $409 | $408 | $407 | $405 | $402 | $415 | $408 |
| | Percent Change in Total Taxes Paid: | 0.9% | 1.2% | 1.4% | 1.7% | 2.2% | 2.5% | 2.6% | 3.1% | 3.4% | 3.4% | 3.4% | 3.4% | 3.5% | 3.5% | 2.6% |
| | Percent Change in Taxes Paid for "Education": | 0.4% | 0.9% | 1.2% | 1.7% | 2.5% | 2.9% | 3.2% | 3.9% | 4.4% | 4.4% | 4.4% | 4.4% | 4.4% | 4.4% | 3.1% |
| | Percent Change in Taxes Paid for "Other": | 1.8% | 1.8% | 1.8% | 1.7% | 1.7% | 1.7% | 1.7% | 1.6% | 1.6% | 1.6% | 1.5% | 1.5% | 1.5% | 1.5% | 1.6% |
| WALDO | Change in Total Taxes Paid: | $475 | $702 | $847 | $1,034 | $1,278 | $1,439 | $1,559 | $1,741 | $1,934 | $2,027 | $2,092 | $2,155 | $2,221 | $2,298 | $1,557 |
| | Change in Taxes Paid for "Education": | -$205 | $6 | $134 | $304 | $533 | $679 | $785 | $956 | $1,138 | $1,224 | $1,284 | $1,347 | $1,413 | $1,484 | $791 |
| | Change in Taxes Paid for "Other": | $680 | $696 | $714 | $730 | $746 | $760 | $773 | $785 | $796 | $804 | $808 | $809 | $807 | $814 | $766 |
| | Percent Change in Total Taxes Paid: | 0.9% | 1.4% | 1.6% | 1.9% | 2.4% | 2.6% | 2.7% | 3.0% | 3.2% | 3.3% | 3.3% | 3.2% | 3.2% | 3.2% | 2.6% |
| | Percent Change in Taxes Paid for "Education": | -0.6% | 0.0% | 0.4% | 1.0% | 1.7% | 2.1% | 2.4% | 2.8% | 3.3% | 3.4% | 3.5% | 3.5% | 3.6% | 3.6% | 2.2% |
| | Percent Change in Taxes Paid for "Other": | 3.5% | 3.4% | 3.4% | 3.4% | 3.3% | 3.3% | 3.2% | 3.2% | 3.1% | 3.1% | 3.0% | 2.9% | 2.8% | 2.8% | 3.2% |
| WASHINGTON | Change in Total Taxes Paid: | -$260 | -$160 | -$50 | $159 | $306 | $539 | $652 | $772 | $912 | $1,047 | $1,136 | $1,222 | $1,308 | $1,400 | $641 |
| | Change in Taxes Paid for "Education": | -$424 | -$332 | -$218 | -$11 | $135 | $367 | $480 | $600 | $739 | $875 | $964 | $1,052 | $1,140 | $1,228 | $471 |
| | Change in Taxes Paid for "Other": | $164 | $166 | $168 | $170 | $171 | $172 | $173 | $173 | $173 | $172 | $171 | $170 | $169 | $172 | $170 |
| | Percent Change in Total Taxes Paid: | -0.7% | -0.5% | -0.1% | 0.4% | 0.8% | 1.5% | 1.7% | 2.0% | 2.4% | 2.6% | 2.8% | 2.9% | 3.0% | 3.2% | 1.6% |
| | Percent Change in Taxes Paid for "Education": | -1.8% | -1.4% | -1.0% | 0.0% | 0.6% | 1.6% | 2.1% | 2.6% | 3.1% | 3.5% | 3.8% | 4.0% | 4.1% | 4.3% | 1.8% |
| | Percent Change in Taxes Paid for "Other": | 1.2% | 1.2% | 1.2% | 1.2% | 1.2% | 1.2% | 1.2% | 1.2% | 1.2% | 1.1% | 1.1% | 1.1% | 1.1% | 1.1% | 1.2% |
| YORK | Change in Total Taxes Paid: | $6,735 | $7,673 | $8,345 | $9,454 | $10,828 | $11,896 | $13,009 | $14,455 | $15,759 | $16,564 | $17,161 | $17,767 | $18,398 | $19,121 | $13,369 |
| | Change in Taxes Paid for "Education": | $2,117 | $2,921 | $3,453 | $4,433 | $5,685 | $6,639 | $7,644 | $8,989 | $10,191 | $10,906 | $11,427 | $11,973 | $12,549 | $13,153 | $8,006 |
| | Change in Taxes Paid for "Other": | $4,618 | $4,752 | $4,892 | $5,021 | $5,143 | $5,256 | $5,365 | $5,465 | $5,569 | $5,658 | $5,735 | $5,794 | $5,850 | $5,968 | $5,363 |
| | Percent Change in Total Taxes Paid: | 2.1% | 2.3% | 2.5% | 2.7% | 3.1% | 3.3% | 3.5% | 3.7% | 3.9% | 3.9% | 3.9% | 3.9% | 3.9% | 3.9% | 3.3% |
| | Percent Change in Taxes Paid for "Education": | 1.1% | 1.5% | 1.7% | 2.2% | 2.7% | 3.1% | 3.5% | 3.9% | 4.3% | 4.4% | 4.4% | 4.4% | 4.4% | 4.5% | 3.3% |
| | Percent Change in Taxes Paid for "Other": | 3.7% | 3.7% | 3.6% | 3.6% | 3.6% | 3.5% | 3.5% | 3.4% | 3.4% | 3.3% | 3.2% | 3.2% | 3.1% | 3.1% | 3.4% |

Table 4 Continued

Table 4 Continued

| | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Average Increase |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| STATE TOTALS | Change in Total Taxes Paid: | $25,967 | $31,140 | $35,795 | $41,981 | $50,328 | $56,856 | $61,327 | $68,961 | $76,289 | $80,491 | $83,398 | $86,288 | $89,271 | $92.762 | $62,918 |
| | Change in Taxes Paid for "Education": | $3,872 | $8,643 | $12,871 | $18,686 | $26.682 | $32,896 | $37,084 | $44,441 | $51,566 | $55,626 | $58,352 | $61,208 | $64,202 | $67,346 | $38,820 |
| | Change in Taxes Paid for "Other": | $22,095 | $22,497 | $22,924 | $23,295 | $23,646 | $23,960 | $24,243 | $24,521 | $24,723 | $24,866 | $25,075 | $25,073 | $25,064 | $25,412 | $24,099 |
| | Percent Change in Total Taxes Paid: | 1.3% | 1.6% | 1.8% | 2.0% | 2.4% | 2.6% | 2.8% | 3.0% | 3.3% | 3.3% | 3.3% | 3.3% | 3.3% | 3.4% | 2.7% |
| | Percent Change in Taxes Paid for "Education": | 0.3% | 0.7% | 1.1% | 1.6% | 2.2% | 2.6% | 2.9% | 3.4% | 3.8% | 4.0% | 4.0% | 4.0% | 4.1% | 4.1% | 2.8% |
| | Percent Change in Taxes Paid for "Other": | 2.8% | 2.7% | 2.7% | 2.7% | 2.7% | 2.6% | 2.6% | 2.5% | 2.5% | 2.5% | 2.4% | 2.4% | 2.3% | 2.3% | 2.5% |

Source: State Planning Office, Revenue Forecasting Committee, Maine Revenue Service: Property Tax Division, Department of Education, MHPC calculations.

closely corresponding to the national average. Even under the Maine Taxpayer Bill of Rights it would take until FY 2021 to reach that level of taxation.

2. According to a Maine Municipal Association survey, in FY 2005 the growth factor in LD 1 was estimated to be more than twice that of the Maine Taxpayer Bill of Rights—see Table 5 [4]. As a result, it could take LD 1 twice as long, at the local level, to achieve the same results as the Maine Taxpayer Bill of Rights.

3. The growth limits in LD 1 can be overridden with a simple majority vote of lawmakers as opposed to the two-thirds legislative requirement and majority of voters under the Maine Taxpayer Bill of Rights.

Under LD 1, it looks likely that the State of Maine will end up breaking its own law. The enactment of the Maine Taxpayer Bill of Rights is the only means that the state can come reasonably close to achieving the statutory goal of reducing Maine's tax burden close to the national average by FY 2015.

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Table 5
Comparison of Growth Factors under LD 1 and The Maine Taxpayer Bill of Rights
State Fiscal Year 2005

| Municipality | LD 1 Growth Factor | Taxpayer Bill of Rights Growth Factor | Municipality | LD 1 Growth Factor | Taxpayer Bill of Rights Growth Factor | Municipality | LD 1 Growth Factor | Taxpayer Bill of Rights Growth Factor |
|---|---|---|---|---|---|---|---|---|
| Acton | 3.37 | 0.79 | Hodgdon | 5.22 | 0.72 | Richmond | 5.58 | 1.87 |
| Appleton | 6.88 | 3.49 | Holden | 5.94 | 3.36 | Rockland | 5.6 | 3.02 |
| Arrowsic | 4.3 | 1.72 | Hollis | 6.02 | 3.44 | Rumford | 2.98 | 0.4 |
| Augusta | 5.63 | 0.54 | Hope | 7.36 | 4.78 | Sanford | 4.92 | 2.34 |
| Aurora | 2.58 | 0 | Islesboro | 3.96 | 1.38 | Scarborough | 5.31 | 2.73 |
| Bangor | 5.3 | 2.72 | Jay | 4.83 | 1.73 | Sebago | 6.18 | 1.84 |
| Bar Harbor | 5.8 | 3.22 | Kennebunk | 4.43 | 1.85 | Sebec | 4.71 | -0.23 |
| Bath | 3.91 | 1.33 | Kennebunkport | 4.97 | 2.39 | Shirley | 2.58 | 0 |
| Beaver Cove | 4.22 | 0.6 | Kittery | 4.24 | 1.66 | South Berwick | 4.21 | 1.63 |
| Biddeford | 5.13 | 2.55 | Lamoine | 3.68 | 1.1 | South Portland | 5.49 | 2.53 |
| Bowdoinham | 6.88 | 1.25 | Lebanon | 4.58 | 2 | Southwest Harbor | 3.35 | 0.77 |
| Bowerbank | 4.86 | 2.28 | Leeds | 5.28 | 2.7 | Standish | 3.96 | 1.38 |
| Bradley | 7.3 | 3.42 | Levant | 16.28 | 6.13 | Stockton Springs | 16.51 | 3.19 |
| Brewer | 7.73 | 4.57 | Lewiston | 5.58 | 2.77 | Sullivan | 4.67 | -1.23 |
| Brunswick | 5.15 | 2.57 | Limestone | 6.83 | -0.23 | Sumner | 8.04 | 2.09 |
| Buckfield | 6.22 | -2.17 | Lincolnville | 4.48 | 1.9 | Surry | 3.86 | 1.28 |
| Bucksport | 3.63 | 1.05 | Linneus | 6.12 | 0.03 | Thomaston | 19.24 | 3.96 |
| Buxton | 4.8 | 0.36 | Lisbon | 5.31 | 2.41 | Topsfield | 4.02 | 1.44 |
| Calais | 4.4 | 1.82 | Litchfield | 9.63 | 4.95 | Topsham | 12 | 2.97 |
| Camden | 4.67 | 2.09 | Livermore | 3.28 | 0.7 | Tremont | 5.99 | 3.17 |
| Cape Elizabeth | 4.37 | 1.79 | Livermore Falls | 5.28 | 2.7 | Trenton | 6.65 | 3.24 |
| Chelsea | 8.58 | 1.1 | Long Island | 3.98 | 0.24 | Turner | 6.23 | 3.65 |
| China | 4.29 | 1.71 | Machias | 3.38 | 0.8 | Union | 5.48 | 2.9 |
| Clinton | 4.24 | -0.05 | Madawaska | 5.14 | 2.56 | Veazie | 3.55 | 0.97 |
| Cumberland | 6.22 | 3.64 | Madison | 2.97 | 0.39 | Vinalhaven | 3.39 | -1.23 |
| Damariscotta | 4.6 | -2.23 | Manchester | 5.44 | 1.74 | Waterville | 8.22 | 3.14 |
| Danforth | 4.23 | -0.95 | Mariaville | 5.95 | 2.2 | Wayne | 2.58 | 0 |
| Dexter | 4.61 | 2.03 | Mechanic Falls | 4.71 | 1.44 | West Bath | 7.41 | 3.97 |
| Dover- Foxcroft | 4.54 | 1.96 | Mexico | 4.1 | 1.52 | Weston | 2.58 | -0.3 |
| Dresden | 7.74 | -4.31 | Milbridge | 3.89 | 1.31 | Willimantic | 6.11 | 3.53 |
| Eastport | 2.6 | 0.02 | Millinocket | 2.64 | -0.79 | Wilton | 2.59 | 0.01 |
| Edgecomb | 4.1 | 1.52 | Monmouth | 5.82 | 2.95 | Winslow | 5.13 | 2.55 |
| Ellsworth | 5.79 | 1.31 | Mount Vernon | 4.49 | 1.88 | Winterport | 5.83 | 3.25 |
| Enfield | 2.98 | 0.4 | Naples | 6.05 | 1.73 | Winthrop | 4.92 | 2.34 |
| Fairfield | 3.68 | 1.1 | Nashville Plt | 2.58 | -0.98 | Woolwich | 4.27 | 1.69 |
| Falmouth | 5.32 | 2.74 | New Gloucester | 6.62 | 2.3 | Yarmouth | 3.76 | 1.18 |
| Fayettee | 5.36 | 2.01 | New Sweden | 4.56 | 1.39 | York | 5.58 | 3 |
| Fort Fairfield | 3.58 | 1 | North Berwick | 6.2 | 3.62 | | | |
| Freeport | 5.92 | 1.81 | Norway | 5.27 | 2.69 | | | |
| Gardiner | 8.9 | 1.88 | Oakland | 5.86 | 2.99 | | | |
| Georgetown | 3.5 | 0.92 | Old Orchard | 8.07 | 5.49 | | | |
| Glenburn | 7.49 | 2.88 | Old Town | 2.58 | 0 | | | |
| Gorham | 6.01 | 2.32 | Orono | 8.68 | 5.15 | | | |
| Grand Isle | 3.37 | 0.79 | Otis | 4.92 | 2.34 | ***Average*** | ***3.55*** | ***1.75*** |
| Gray | 5.13 | 2.18 | Parsonsfield | 2.81 | 0.06 | | | |
| Greenbush | 4.19 | 0.32 | Pembroke | 2.58 | 0 | | | |
| Hancock | 6.02 | -0.04 | Phippsburg | 5.43 | 2.85 | | | |
| Harrison | 6.16 | 3.58 | Portland | 3.56 | 0.98 | | | |
| Hermon | 7.95 | 3.5 | Randolph | 3.58 | 1 | | | |
| Hersey | 5.6 | 2.66 | Readfield | 5.46 | 2.88 | | | |

Note: Based on a Maine Municipal Association survey of municipalities subject to LD 1 growth limits in 2005. Sample may not be representative of all municipalities.

Source: "Comparison of Local Government Limitations in LD1, Colorado TABOR and proposed Maine TABOR," Maine Townsman, Maine Municipal Association, December 2005; "Average" calculation performed by MHPC.

**Sources**

[1] Wasylenko, Michael, "Taxation and Economic Development: The State of the Economic Literature," New England Economic Review, March/April 1997.
[2] For more information see: Poulson, Barry, "A Taxpayer Bill of Rights for Maine," Americans for Prosperity Foundation, October 2005.
http://www.americansforprosperity.org/includes/filemanager/files/pdf/me_tabor_study1.pdf
[3] PART 11, STATE TAX POLICY GOALS, CHAPTER 931, TAX BURDEN REDUCTION GOAL, §7301. Tax reduction goal.
http://janus.state.me.us/legis/lawmakerweb/externalsiteframe.asp?id=28001432l&ld=1&type=1&sessionid=6
[4] "LD 1 and TABOR Growth Factor Comparisons," Maine Townsman, Maine Municipal Association, December 2005.
http://www.memun.org/public/publications/townsman/2005/TABOR.pdf

**Methodology**

While this study has focused on the effects that the Maine Taxpayer Bill of Rights will have on the level of taxation in Maine; technically, the Maine Taxpayer Bill of Rights is a check on spending, not taxes per se. Two key assumptions in this analysis are that state and local budgets are always in balance (revenue equals expenditures) and that the current ratio of state and local taxes to expenditures remains constant.

With these assumptions, the same growth allowances applied to expenditures can also be applied to taxes. Each of the formulas is presented along with their data sources and methodology:

The growth allowance for the state government is based on the change in population plus the inflation rate. The projection of state-wide population is from the U.S. Census Bureau's population estimate to 2030 and can be found at:

> http://www.census.gov/population/www/projections/projectionsagesex.html
> The projection for the inflation rate is from the February 2006 Report of the Consensus Economic Forecasting Commission. The projection goes out to CY 2009 after which this study holds constant the CY 2009 inflation rate (2.8 percent) to CY 2021. The report can be found at:
> http://www.state.me.us/legis/ofpr/CEFC%20Feb%202006.pdf

The growth allowance for local governments is broken down into two components:

> Education Spending—The growth allowance for education is based on the change in school enrollment plus the inflation rate. The projection for school enrollment is from the Maine State Planning Office's "Forecast of Residents Educated at Public Expense by Town to 2017" and can be found at:
> http://www.state.me.us/spo/economics/economics/spreadsheetfiles/publicexpense2017c.xls
> The growth rate for 2017 was held constant to 2021. The projection for the inflation rate is same as the state growth allowance.
>
> All Other Spending—The growth allowance for all other spending is based on the lesser of the change in property tax assessment versus the change in population plus the inflation rate. The projection in local property assessments is based on a linear extrapolation to 2021 of property assessments from 1999 to 2004 as found in "Municipal Valuation Return Statistical Summary" published by the Maine Revenue Services Property Tax Division and can be found at:
> http://www.state.me.us/revenue/propertytax/Municipal%20Services%20Files/data.htm
> The change in population is based on the State Planning Office's "Town-Level Population Projection to 2020 (with age cohorts)" and can be found at:
> http://www.maine.gov/spo/landuse/docs/Population/TownAgeForecastSummary.xls
> The growth rate for 2020 was held constant to 2021. The projection for the inflation rate is the same as the state growth allowance.

The split between "education" and "all other" spending was calculated by subtracting education spending from total tax commitments—leaving "all other" as a residual. The data for local tax commitments comes from the same source as local property assessments mentioned above. The data for education spending is from the Department of Education's "Mills Raised for Education" and can be found at:
http://www.maine.gov/education/data/budget/budget.htm

The projected growth allowances calculated for the state and local governments between 2008 to 2021 are applied to the state and local tax collection data published by the U.S. Census Bureau and can be found at:
http://www.census.gov/govs/www/index.html

Finally, the last year of complete state and local tax collections published by the Census Bureau is for FY 2002 (up to FY 2005 for state level data). The estimate of Maine's tax collections between FY 2002 and FY 2008 is based on actual and projected tax collections published by the Maine Office of Fiscal and Program Review (OFPR) and can be found at:
http://www.maine.gov/legis/ofpr/Tax%20Info/Tax%20Burden%20Report%20-%20March%202006.pdf
Due to differences in methodology, this report applied the year-over-year rate of change in state and local tax collections as estimated by OFPR and then applied the rate of change to the Census data.

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The Maine View is a publication of The Maine Heritage Policy Center that provides research, historical perspective, updates and commentary on current public policy issues. All information is from sources considered reliable, but may be subject to inaccuracies, omissions, and modifications.

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# A Taxpayer Bill of Rights: Improving Mainers' Incomes

by J. Scott Moody, M.A.

This report concludes that at the end of the day, the Maine Taxpayer Bill of Rights will mean more money in Mainers' pockets. The analysis updates and expands on a previous study that examined the positive impact of the Maine Taxpayer Bill of Rights (see The Maine View, Vol. 4, Issue No. 5, "A Taxpayer Bill of Rights: The Cure for Maine's High Taxes"). The update includes new state and local tax data and economic forecasts from the U.S. Census Bureau, along with new dynamic modeling of the positive effects that the Maine Taxpayer Bill of Rights will have on the Maine economy. The dynamic economic modeling was performed by the Beacon Hill Institute's State Tax Analysis Modeling Program (STAMP).

The Maine STAMP model is a comprehensive model of the Maine economy. It is designed to capture the principal effects of tax and spending changes on the economy. It is a five-year "dynamic" computable general equilibrium model. As such, it provides a mathematical description of the economic relationships among producers, households, government and the rest of the world. The Maine STAMP model demonstrates how a lower level of state taxes under the Taxpayer Bill of Rights will result in higher incomes for all Mainers (local taxes are excluded in the STAMP model analysis. See Methodology and Appendix sections for more detail on the model).

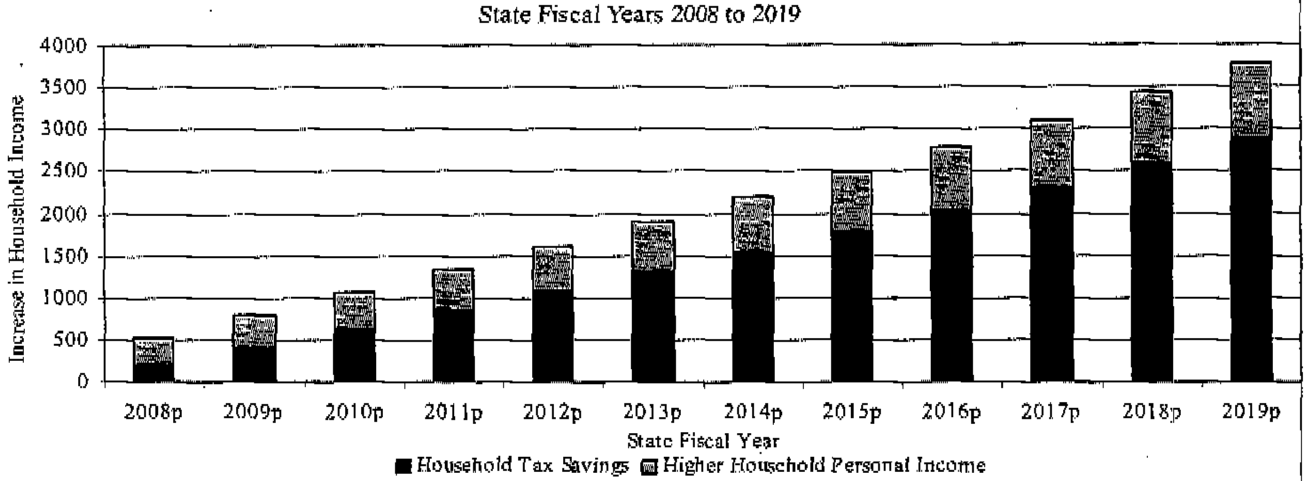
Key findings include:

- When accounting for both lower taxes and increased economic activity due to the Maine Taxpayer Bill of Rights, Maine's level of state and local taxation as a percent of personal income will return to the national average by fiscal year (FY) 2019—after a 43 year hiatus.
- In FY 2019 alone, Mainer's will save $2.3 billion in taxes ($1.8 billion in 2006 dollars) and will have $560 million ($441 million in 2006 dollars) in more income due to economic growth spurred by the Maine Taxpayer Bill of Rights.
- In FY 2019 alone, the Maine Taxpayer Bill of Rights will provide Mainers with an additional $3,782 dollars ($2,980 in 2006 dollars) per households to spend—$2,893 due to lower taxes and $888 due to higher incomes.

Chart 1

Mainer's Household Income Improves Under the Taxpayer Bill of Rights

State Fiscal Years 2008 to 2019




Source: U.S. Census Bureau, Bureau of Economic Analysis, MHPC Calculations based on STAMP Model and Maine State Government Data.

**What is the STAMP Model?**

The Maine STAMP model is a comprehensive model of the Maine economy, designed to capture the principal effects of tax and spending changes on the economy. It is a five-year "dynamic" computable general equilibrium tax model. As such, it provides a mathematical description of the economic relationships among producers, households, government and the rest of the world. It is general in the sense that it takes all the important markets and cash flows into account. It is an equilibrium model because it assumes that demand equals supply in every market (goods and services, labor and capital); this is achieved by allowing prices to adjust within the model (i.e., prices are endogenous). The model is computable because it can be used to generate numeric solutions to concrete policy and tax and spending changes, with the help of a computer. And, it is a tax model because it pays particular attention to identifying the role played by different taxes and spending. (see Appendix for details on the construction of the STAMP model)

In essence, the STAMP model quantifies how government tax and spending policies affect the rate of economic development. If taxes go up, then there are fewer resources in the private sector for consumption and investment, lowering the growth potential of the economy. Some of this is compensated for by higher government spending, but there are "deadweight losses" associated with taxation that can not be compensated for with higher government spending.

Deadweight loss is a term used by economists to describe the economic inefficiencies created by taxation, such as when taxpayers reduce work and/or consumption or shift income to avoid taxation. In other words, the very process of transferring resources from the private to the government sector results in a permanent loss of potential economic output. Overall, the private sector not only has fewer resources due to taxation, but must also bear these "deadweight losses."

For example, Dr. Martin Feldstein, president and CEO of the National Bureau of Economic Research, estimated that the 1993 Federal income tax increase resulted a deadweight loss of $2 for every $1 raised in taxes.[1]

On the other hand, lower taxes due to the Maine Taxpayer Bill of Rights will increase resources within the private sector and reduce deadweight losses on the economy. As a result, Maine's economy will generate more jobs, increase investment and boost personal income. Table 1 shows the results of the STAMP model's simulation of the economic benefits associated with the Taxpayer Bill of Rights. In FYs 2008 (the first year under the Taxpayer Bill of Rights), 2009 and 2010, personal income will grow by $178 million, $214 million and $248 million, respectively; employment will grow by 4,441 jobs, 4,282 jobs and 4,124 jobs, respectively; and investment will grow by $10 million, $16 million and $21 million, respectively.

Keep in mind, however, that the STAMP model only incorporates the effects of lower state level taxes. Unfortunately, due to data constraints, the STAMP model is unable to forecast changes to the economy due to lower property taxes at the local level. Lower property taxes are approximately half of the total tax savings created by the Taxpayer Bill of Rights. As a result of the Maine STAMP model limitations, the shown economic benefits of a lower property tax burden resulting from the Maine Taxpayer Bill of Rights is greatly understated.

**The Taxpayer Bill of Rights Equals Higher Economic Growth and Lower Taxes**

When looking at the level of state and local taxation as a percent of personal income, there are two ways to reduce taxes. The first is direct, through a reduction in tax burdens through legislative action. The second is indirect, by boosting the growth in personal income. Fortunately for Mainers, the Maine Taxpayer Bill of Rights will do both by lowering tax burdens via spending restraint. In the long run, lower tax burdens will make Maine more economically competitive, leading to greater job and income growth. Chart 2 and Table 3 show that when both factors are taken into account, Maine's level of state and local taxation as a percent of personal income will return to the national average by FY 2019, two years faster than previously estimated.[2]

By FY 2019, Maine's ranking of state and local tax collections as a percent of income will fall to the 19th highest in the nation. For more information on Maine's historical state and local tax burden see Maine Issue Brief "An Update of Maine's State and Local Tax Collections."[3] Maine's ranking has not been that low since FY 1977—a 43 year hiatus!

Table 1
STAMP Model Projection of Economic Feedback due to Economic Growth Generated by the Maine Taxpayer Bill of Rights
State Fiscal Years 2008 to 2010

| | 2008p | 2009p | 2010p |
|---|---|---|---|
| Personal Income (Dollars in Billions) | | | |
| Baseline Economic Growth | $41.740 | $41.740 | $41.740 |
| Dynamic Economic Growth | $41.919 | $41.954 | $41.988 |
| Difference | $0.178 | $0.214 | $0.248 |
| Employment | | | |
| Baseline Economic Growth | $621,900 | $626,200 | $630,149 |
| Dynamic Economic Growth | $626,341 | $630,482 | $634,273 |
| Difference | $4,441 | $4,282 | $4,124 |
| Investment (Dollars in Billions) | | | |
| Baseline Economic Growth | $5.207 | $5.275 | $5.344 |
| Dynamic Economic Growth | $5.217 | $5.291 | $5.365 |
| Difference | $0.010 | $0.016 | $0.021 |

Source: Maine STAMP Model.

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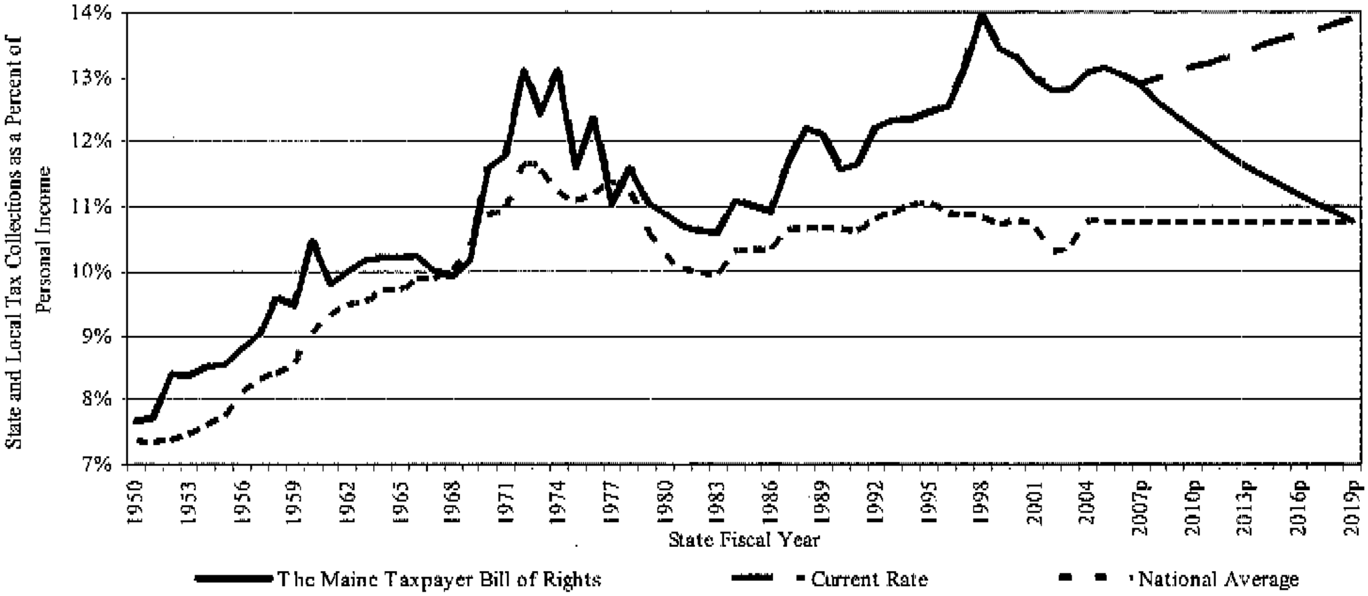
Table 2
Maine's Historical State and Local Tax Collections
State Fiscal Years 1950 to 2004
Dollars in Thousands

| State Fiscal Year | National State and Local Tax Collections as a Percent of Personal Income | State and Local | | | |
|---|---|---|---|---|---|
| | | Total | Year-over-Year Percent Growth | Percent of Personal Income | Rank |
| 1950* | 7.36% | $82,173 | -- | 7.64% | 22 |
| 1951 | 7.33% | $88,319 | 7.5% | 7.71% | 22 |
| 1952* | 7.36% | $105,573 | 19.5% | 8.40% | 14 |
| 1953* | 7.44% | $109,953 | 4.1% | 8.37% | 15 |
| 1954 | 7.60% | $112,917 | 2.7% | 8.52% | 18 |
| 1955 | 7.74% | $119,723 | 6.0% | 8.53% | 20 |
| 1956 | 8.12% | $133,551 | 11.5% | 8.81% | 23 |
| 1957 | 8.29% | $143,655 | 7.6% | 9.05% | 23 |
| 1958* | 8.38% | $157,662 | 9.8% | 9.57% | 13 |
| 1959 | 8.57% | $162,265 | 2.9% | 9.47% | 19 |
| 1960* | 9.03% | $188,429 | 16.1% | 10.46% | 9 |
| 1961* | 9.32% | $182,173 | -3.3% | 9.78% | 20 |
| 1962 | 9.45% | $191,337 | 5.0% | 10.01% | 18 |
| 1963 | 9.53% | $201,574 | 5.4% | 10.17% | 16 |
| 1964 | 9.69% | $213,867 | 6.1% | 10.20% | 19 |
| 1965 | 9.71% | $231,535 | 8.3% | 10.21% | 19 |
| 1966 | 9.87% | $248,788 | 7.5% | 10.22% | 23 |
| 1967 | 9.87% | $257,424 | 3.5% | 9.99% | 25 |
| 1968 | 10.03% | $270,545 | 5.1% | 9.90% | 25 |
| 1969* | 10.39% | $301,321 | 11.4% | 10.16% | 26 |
| 1970* | 10.86% | $377,715 | 25.4% | 11.61% | 14 |
| 1971* | 10.97% | $415,650 | 10.0% | 11.80% | 12 |
| 1972 | 11.63% | $501,194 | 20.6% | 13.12% | 7 |
| 1973 | 11.57% | $528,745 | 5.5% | 12.44% | 7 |
| 1974* | 11.25% | $625,547 | 18.3% | 13.11% | 4 |
| 1975* | 11.10% | $605,115 | -3.3% | 11.60% | 9 |
| 1976 | 11.20% | $718,465 | 18.7% | 12.37% | 8 |
| 1977 | 11.36% | $716,522 | -0.3% | 11.04% | 19 |
| 1978 | 11.20% | $826,676 | 15.4% | 11.60% | 13 |
| 1979* | 10.63% | $875,057 | 5.9% | 11.05% | 17 |
| 1980* | 10.27% | $965,543 | 10.3% | 10.88% | 12 |
| 1981* | 10.02% | $1,062,612 | 10.1% | 10.72% | 13 |
| 1982* | 9.97% | $1,152,869 | 8.5% | 10.63% | 13 |
| 1983* | 9.95% | $1,240,012 | 7.6% | 10.60% | 12 |
| 1984 | 10.29% | $1,420,538 | 14.6% | 11.09% | 12 |
| 1985 | 10.31% | $1,545,328 | 8.8% | 11.00% | 12 |
| 1986 | 10.36% | $1,659,782 | 7.4% | 10.92% | 12 |
| 1987 | 10.61% | $1,931,357 | 16.4% | 11.70% | 7 |
| 1988 | 10.66% | $2,207,217 | 14.3% | 12.21% | 6 |
| 1989 | 10.64% | $2,385,169 | 8.1% | 12.10% | 5 |
| 1990 | 10.64% | $2,423,966 | 1.6% | 11.57% | 9 |
| 1991* | 10.62% | $2,510,360 | 3.6% | 11.65% | 9 |
| 1992 | 10.79% | $2,707,735 | 7.9% | 12.23% | 6 |
| 1993 | 10.89% | $2,824,806 | 4.3% | 12.35% | 7 |
| 1994 | 11.00% | $2,914,862 | 3.2% | 12.34% | 8 |
| 1995 | 11.03% | $3,060,691 | 5.0% | 12.46% | 5 |
| 1996 | 10.89% | $3,231,393 | 5.6% | 12.54% | 5 |
| 1997 | 10.85% | $3,554,711 | 10.0% | 13.09% | 3 |
| 1998 | 10.83% | $4,012,318 | 12.9% | 13.95% | 1 |
| 1999 | 10.72% | $4,082,369 | 1.7% | 13.45% | 2 |
| 2000* | 10.76% | $4,262,142 | 4.4% | 13.28% | 2 |
| 2001* | 10.67% | $4,420,465 | 3.7% | 12.95% | 2 |
| 2002 | 10.29% | $4,541,146 | 2.7% | 12.77% | 2 |
| 2003 | 10.42% | $4,697,067 | 3.4% | 12.82% | 2 |
| 2004 | 10.74% | $5,009,192 | 6.6% | 13.05% | 3 |
| Average Annual Increase | 0.46% | $89,582 | 7.76% | 0.98% | -- |

Note: "*" on year denotes a recessionary quarter(s).
Source: U.S. Census Bureau, Bureau of Economic Analysis, MHPC Calculations.

Chart 2
Maine's State and Local Tax Collections as a Percent of Personal Income
State Fiscal Years 1950 to 2019




Source: U.S. Census Bureau, Bureau of Economic Analysis, MHPC Calculations.

Table 3
Maine's Projected State and Local Tax Collections under the Taxpayer Bill of Rights (Effective FY 2008)
State Fiscal Years 2005 to 2019
Dollars in Thousands

| State Fiscal Year | Goal: National State and Local Tax Collections as a Percent of Personal Income (a) | State and Local Total | Year-over-Year Percent Growth | Percent of Personal Income | Rank |
|---|---|---|---|---|---|
| 2005p | 10.74% | $5,307,048 | -- | 13.13% | 3 |
| 2006p | 10.74% | $5,524,056 | 4.1% | 13.02% | 3 |
| 2007p | 10.74% | $5,709,741 | 3.4% | 12.88% | 3 |
| 2008 (TABOR) | 10.74% | $5,863,642 | 2.7% | 12.61% | 3 |
| 2009 (TABOR) | 10.74% | $6,024,761 | 2.7% | 12.39% | 3 |
| 2010 (TABOR) | 10.74% | $6,193,350 | 2.8% | 12.18% | 3 |
| 2011 (TABOR) | 10.74% | $6,370,890 | 2.9% | 11.99% | 4 |
| 2012 (TABOR) | 10.74% | $6,560,636 | 3.0% | 11.81% | 5 |
| 2013 (TABOR) | 10.74% | $6,760,748 | 3.1% | 11.64% | 7 |
| 2014 (TABOR) | 10.74% | $6,969,761 | 3.1% | 11.48% | 8 |
| 2015 (TABOR) | 10.74% | $7,189,924 | 3.2% | 11.33% | 8 |
| 2016 (TABOR) | 10.74% | $7,421,492 | 3.2% | 11.19% | 12 |
| 2017 (TABOR) | 10.74% | $7,660,956 | 3.2% | 11.05% | 14 |
| 2018 (TABOR) | 10.74% | $7,905,071 | 3.2% | 10.91% | 16 |
| 2019 (TABOR) | 10.74% | $8,156,284 | 3.2% | 10.77% | 19 |
| Average Annual Increase (TABOR Years Only, 2008 to 2019) | -- | $191,054 | 2.79% | -1.31% | -- |

(a) Held constant.
(b) State Tax Collections for FY 2005 are actual not projected.
Source: U.S. Census Bureau, Bureau of Economic Analysis, MHPC Calculations based on STAMP Model and Maine State Government data--see Methodology section for more details.

DEMOCRACY MAINE

*Maine Voices Against Extremism*

Monday, October 23, 2006

Maine State Ethics Commission
135 State House Station, Augusta, ME 04333

Dear Commissioners,

This letter is meant to submit in writing, my testimony to the State Ethics Commission on Friday, October 20, 2006, in Augusta, ME.

Democracy Maine is non profit organization based in Portland. We support Mr. Carl Lindermann's filing of a complaint against the Maine Heritage Policy Center (MHPC), and agree that MHPC's role in advocating the enactment of the Tax Payers Bill or Rights, or TABOR, is an important issue that should be looked into much more closely.

MHPC has played an integral role in the campaign to enact TABOR. Its staff has participated in debates in favor of TABOR, written reports in favor of TABOR, brought speakers from out of state to advocate in favor of TABOR, placed material on MHPC's website promoting TABOR, organized news conferences promoting the enactment of Question One, supplied op-eds and other opinion pieces to newspapers and other publications in favor of Question One, and has been involved in other election activities. Because the MHPC is a tax-exempt non-profit organization, its list of contributors who support the organization is not public. But this fact should not shield the MHPC from disclosing its contributors when its activities cross the line from mere analysis and education to advocating for the passage of a referendum question.

Before November 7$^{th}$, Maine voters deserve to know what funds and resources MHPC has spent promoting TABOR and where said funds have come from. Who is paying for MHPC's election activities? MHPC could resolve these questions by simply filing a 1056-B form with the State Ethics Commission listing what funds it has raised, what funds it has spent or what, if any, in-kind contributions it has made to PACs supporting TABOR. Additionally, the pro-TABOR PACs that have received in-kind support and contributions from the MHPC should list their contribution of their campaign finance reports.

Attached with this letter are:

- A sampling of newspaper articles that show how involved MHPC staffers have been with the campaign to enact TABOR,
- A list of occasions when MHPC staffers have spoken or debated in favor of TABOR. (Partial list)
- Material from MHPC's website in support of TABOR

Given its level of involvement in the Question One campaign, MHPC's claims that it is only educating the public about TABOR but not advocating its passage are not credible. Democracy Maine strongly urges the commission to require MHPC to disclose what funds it has spent promoting TABOR and where those funds came from.

Thank you for your time.

Sincerely,

Jonathan Crasnick

Executive Director
Democracy Maine

ONE CITY CENTER • PORTLAND, ME 04101
(207) 831-9840 • www.democracymaine.org

DEMOCRACY MAINE

The following are a list of past and upcoming debates and forums where Maine Heritage Policy Center staff have spoken, and will speak in favor of TABOR.

Past engagements

- Sept 15, 2005, 7 am: Bangor Rotary Club - Bill Becker
- Sept 11, 2006, 6:30 pm: Portland Water District Board of trustees meeting; 6:30pm; Geoff Hermann vs Tarren Bragdon
- Sept 8th: Skowhegan Chamber of Commerce; Tarren Bragdon
- Sept 13th: Auburn-Lewiston Rotary, Bill Becker
- Sept 14th: Androscoggin Chamber of Comkmerce, Bill Becker vs Kit St John
- Sept 20th: Bangor Chamber of Commerce; Tarren Bragdon
- Sept 20th: Maine Tourism Board, Taryn Bragdon vs Kit St. John
- Sept 21st, 7 pm: Kittery Tabor Fourm, Tarren Bragdon vs Ed Cervone
- Sept 27th, 5 pm: Penobscott Valley Council of Gov't; 5pm.. Mark Gray vs Tarren Bragdon
- Sept 27th: Harpswell Community TV, Scott Moody and Bill Becker
- Sept 29th: Western Maine Legislative Caucus. Ed Cervone vs Scott Moddy
- Oct 3rd: Bath Library Forum Kit St. John vs Scott Moddy
- Oct 4th, 4 pm: Piper Shores, Bill Becker
- Oct 5th, 7:15 am: Winthrop Chamber of Commerce; Kit St John vs Scott Moddy
- Oct 9th, 6 pm: Yarmouth Unitarian Church; Church Men's Club, Kit St. John vs Bill Becker
- Oct 11th, 7:30 am: USM, Larry Benoit vs Bill Becker
- Oct 12th, 6 pm: UMO TABOR Debate, Kit St John Vs Scott Moody
- Thurs, Oct 12th, 7 pm: Harpswell TABOR Forum. Bill Becker and Roy Lenardson.
- Thurs, Oct 12th, 1 pm: Augusta Kiwanis meeting with Bill Becker
- Oct 17th, 7:30 pm: Alfred TABOR Forum; Mary Ann Gleason vs Scott Moody
- Oct 19th: Gardiner Rotary Club, Tarren Bragdon
- Oct 20th, 7 pm: Elliot Tabor Forum; Mary Ann Gleason vs Tarren Bragdon
- Sunday, Oct 22nd, 1 pm: Cape Elizabeth Tabor Forum; Nancy Kelleher vs Bill Becker
- Mon, Oct 23rd, 7 pm: Cumberland Congregational Church, Lions Club, Nancy Kelleher vs Bill Becker
- Mon, Oct 23rd, 6:30 pm: Rockland TABOR Forum; Ed Cervone vs Scott Moddy

Upcoming engagements

- Tues, Oct 24th, 7 pm: Topsham TABOR Forum; Ed Cervone vs Tarren Bragon
- Wed, October 25th, 5 pm: United Way TABOR Forum, York Community College, Mary Ann Gleason vs Bill Becker
- Wed Oct 25th, 6:30 pm: Camden TABOR Forum; Lisa Pohlman vs Scott Moddy
- Mon, Oct 30th, 7 am: WGAN radio debate. Dennis Bailey vs Bill Becker
- Tues, Oct 31st, 7:30 am: Portland Chamber of Commerce, Jeanne Hulit vs Bill Becker

Budget and Tax News
Jan. 12, 2006

**Maine Has Momentum**

Momentum for TABOR also continues in Maine, which joins Oklahoma, Pennsylvania, and more than 20 other states where advocates are pursuing enactment of a TABOR. Bill Becker, executive director of the Maine Heritage Policy Center, was unfazed by Colorado's vote. Becker is helping lead the charge for the statutory Taxpayer's Bill of Rights that will likely be on the ballot in Maine in November 2006.

"The Colorado vote is proof that TABOR works," Becker said. "TABOR allows the people paying the bills, not politicians, to have the final say in exceeding tax and spending limits."

Maine citizens shoulder the highest combined state and local tax burden in the nation, with an average rate of 13 percent of income, according to the Tax Foundation. Colorado has one of the nation's lightest tax burdens, ranking 44th in the nation at a rate of 9.2 percent of income.

The Small Business Survival Index 2005, published by the Small Business & Entrepreneurship Council, shows Colorado as having one of the nation's best business environments--and Maine nearly the worst. Colorado ranks 10th and Maine 49th. Only California and the District of Columbia have worse business environments, according to the Survival Index.

From the Lewiston Sun Journal
Sunday, Aug. 20, 2006

TABOR backed by funds out-of-state funds
Big benefactors boost national effort to enact spending caps

LEWISTON - Mary Adams and the **Maine Heritage Policy Institute** are the public faces on the drive to enact a Taxpayer Bill of Rights in Maine, but much of the financial support so far has come from the same people who are supporting similar efforts around the country.

In Maine, much of the intellectual muscle for TABOR has been provided by the **Maine Heritage Policy institute.**

Founded in 2002, one of the first topics that the Portland-based conservative think tank tackled was the notion of limiting taxation and government spending.

"This has been an issue we've been passionate about from the very beginning," said **Bill Becker**, the president and CEO of Maine Heritage.

MHPC wrote the Maine version of TABOR two years ago as model legislation, Becker said. It was introduced in the Legislature but was not enacted.

"We put it out there for anybody who was interested," Becker said.

Maine's law is based on Colorado's, with improvements, Becker said.

"The Maine TABOR was written specifically for Maine," Becker said. "Did we consult with people? Absolutely. ... This idea is sweeping the nation because taxpayers are fed up."

And, Becker said, it should be a national idea.

"We're tired of being at the bottom of the economic barrel," Becker said. "Is it any wonder that other states don't want to join us?"

**The Maine Heritage Policy Center has remained involved in the pursuit of TABOR since crafting the legislation two years ago.**

**Roy Lenardson, a former senior policy analyst for the center, is running the pro-TABOR campaign and remains an adviser to Maine Heritage.**

**Becker, of Maine Heritage, is a frequent companion of TABOR activist Mary Adams, who has become the public face of the ballot initiative. He is a strong advocate for TABOR, a close adviser to Adams and a charismatic spokesman for conservative policies.**

**The Maine Heritage Policy Center has received financial support from a number of prominent conservative-to-libertarian funding groups. As reported by Victoria Wallack in the Lincoln**

**County News in March, those groups include the Atlas Economic Research Foundation and the J.M Foundation. Becker would not disclose MHPC's donor list, saying that its confidential, and state and federal law does not require nonprofit organizations to reveal where they get their money.**

**"We have received financial support from people both inside the state of Maine and outside," Becker said.**

**On its Web site, Americans for Limited Government lists TaxpayerBillofRights.com as one of its state partners and also links to the Maine Heritage Policy Center and the Maine Public Policy Institute.**

**New York developer Howard Rich is the chairman of Americans for Limited Government. His wife, Andrea, is on the board of directors for Atlas. Rich, also, is heavily involved in the Club for Growth, another national organization which supports TABOR and reducing the size of government at all levels and was founded by Grover Norquist, a national anti-tax activist.**

**Norquist has visited Maine as a guest of the Maine Heritage Policy Center.**

Sunday, September 3, 2006

**Ready, set, campaign: Battle over TABOR heats up**

By TREVOR MAXWELL, Staff Writer



Mainers have a reputation for enjoying an old-fashioned debate about taxes.

This fall, they've got one.

The Taxpayer Bill of Rights will appear as referendum Question One on the Nov. 7 ballot. Voters will be asked if they want to limit government spending by tying increases to specific growth rates like inflation and population change.

Some campaigning has gone on this summer, but the real battle begins now. The opposing camps will spend thousands on advertisements and shift fundraising into high gear. They are also arranging speaking engagements at Rotary clubs, chambers of commerce and special town meetings from Kittery to Fort Kent.

**The proposal is championed by citizen activist Mary Adams of Garland and the conservative Maine Heritage Policy Center.** The opponents are led by Citizens United, a political action committee that gets its clout from the Maine Municipal Association and a list of other groups.

"It is likely to stand out this year," said Ron Schmidt, associate professor of political science at the University of Southern Maine. More families are struggling with higher costs for things like heating oil and health care, which could generate support for a question that puts limits on government spending, he said.

"When push comes to shove, this needs to be an issue that is front and center," Schmidt said.

Both sides in this campaign say they want to strengthen Maine's economy and reduce tax burdens on families and businesses. But that's where the similarities end.

"It's a power shift from government to people, I think that's why you're seeing government entities squawk," said Adams, who led the fight against school funding mandates in the 1970s. "I haven't understood the argument that it curtails democracy."

Christopher St. John, director of the Maine Center for Economic Policy, opposes the idea.

"The challenge for proponents is to tell the truth," St. John said. "Their message to date is that this is simple, and it won't lead to cuts. It is a simple message and an attractive one, but it isn't true."

The proposal is essentially a spending cap on state and local governments, with a provision that allows voters to override the imposed limits. About 30 states have some kind of cap laws.

The Taxpayer Bill of Rights in Colorado stands out as the most stringent and was the model for the Maine proposal.

**"Theirs is a revenue limit; ours is an expenditure limit," said Bill Becker, president of the Maine Heritage Policy Center. Staffers there wrote the initial proposal two years ago. "We took the parts that have been successful in Colorado, and we**

**made changes to make it work for Maine."**

Under the proposal, towns and counties would have to base spending increases on inflation plus population change, or on the change in overall property values, whichever is lower. Spending at the state level would be tied to inflation and population increases. School budgets would be tied to inflation and enrollment.

If a town wanted to override the limit, any spending increase would have to be approved by a two-thirds majority of the governing body, like a city council or town meeting. The increase would then have to gain approval from a majority of all voters.

At the end of each fiscal year, any state revenue surplus would be split up, with 80 percent for tax relief and 20 percent for a state rainy day fund.

Larry Benoit, a strategist affiliated with Portland-based Bernstein Shur, says the plan is a bad idea.

"It will ultimately rob communities of local control," said Benoit, campaign director for Citizens United. "Only the Legislature will be able to change it. If a community does not vote for TABOR, it will still have to live with it.

The two-thirds requirement for the override is a problem, Benoit said, because it allows a minority to block spending increases that have the support of the majority.

"It's a one-size-fits-all formula that ignores local conditions and regional conditions with respect to cost," Benoit said.

The proposal is the latest in a string of citizen-initiated referendums and legislative moves responding to unease over taxes.

Voters in 2003 approved a plan to boost state aid to schools to 55 percent of the operating budgets. Another referendum in June 2004 reaffirmed that plan, but legislators later moved to spread the increase out over four years. In November 2004, a referendum brought forward by Carol Palesky was shot down at the polls. It would have capped property taxes at 1 percent of the appraised value.

Two months later, the Legislature adopted the bill known as LD 1. It boosts school aid, puts a cap on how much towns and cities can collect in property taxes and expands two tax breaks. LD 1 placed Maine among the 30 states with similar cap laws. But Adams said the caps are too lenient and people need immediate relief.

The central question at this point is unavoidable: Will the proposal bring budget cuts"

"When you apply the formulas, roughly 35 percent, or 172 of Maine municipalities, would actually have outright budget cuts to comply," Benoit said. "Thirty-one percent of schools would face budget cuts."

Benoit was quoting an analysis released in June by the Maine Municipal Association, which opposes the bill. The town of Guilford in Piscatiquis County, for example, saw a 28 percent decline in valuation last year. That would mean municipal budget cuts of 28 percent, according to Benoit and St. John.

"Change can be a positive or negative percentage," Benoit said. "We're very confident in our interpretation of this."

**Those who wrote and support the bill, though, say it never requires cuts. The worst that can happen, they say, is flat funding year to year. Using the Guilford example, voters in town would have several options, said Becker of the Heritage Policy Center.**

**They could keep the same budget levels from the previous year, or they could use the override process to increase spending. Voters also could cut the budget, Becker said.**

**"This law is meant to restrain excessive government growth," he said. "That is the fundamental issue."**

Two other major disagreements will continue to play prominently in the campaign. The sides disagree on how cumbersome the override process would be, and whether it would be feasible in most communities. The other question is about how the law has worked in Colorado, which adopted its Taxpayer Bill of Rights in 1992.

Last fall, voters in Colorado suspended a key provision in the law. They allowed the state Legislature to spend nearly $4 billion over the next five years, money that otherwise would have been returned to taxpayers.

Both sides in Maine have signed up a long list of speakers from Colorado, ranging from ranchers to Republican Gov. Bill Owens. Some will try to convince Mainers that the bill has failed, leading to an erosion in schools and economic development. Others, like Owens, will say the bill has succeeded, bringing new jobs and people into the state, and cutting unnecessary spending.

The long list of ambiguities could make it tough for voters to decide. But everyone can expect a spirited debate: Taxes are one issue about which residents are generally not shy.

"I hope that it gets the attention of the politicians and shows them the citizens are fed up and they should change the way we are taxed," said George Fogg of North Yarmouth, a retiree whose annual property taxes have risen from $600 to $2,300 in the past two decades.

Kimberly Whipkey, a college student who grew up in Portland, is on the other side. She has a younger sister in public school and does not want to see a drop in the quality of programs.

"I'm worried that the implications of this formula will mean severe spending cutbacks for the things Mainers care about, like education, health care and public safety."

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# Mainers to vote on referendum to limit government spending

Saturday October 14, 2006
By CLARKE CANFIELD
Associated Press Writer

PORTLAND, Maine (AP) For the second time in two years, Mainers will vote on an initiative that aims to rein in government spending and cut taxes, but which opponents say will slash government services and do nothing to help the state's lagging economy.

If approved in the Nov. 7 election, the Taxpayer Bill of Rights would limit spending at all levels of government to the rate of inflation plus population growth, while requiring voter approval for all tax and fee increases.

Mary Adams, a 68-year-old grandmother from Garland, pop. 1,200, spearheaded the signature drive to get the question on the ballot. She led a similar referendum initiative 30 years ago that overturned the statewide property tax.

Government, Adams maintains, has been spending at an unsustainable rate, causing high taxes and hurting the economy.

``We are the poster child for overspending. We are No. 1 in the local and state tax burden,'' Adams said. ``So it's very obvious to Maine people that they've got to do something.''

Opponents are making the same arguments they used when arguing against a 2004 tax cap referendum, which failed at the polls by a nearly 2-to-1 margin.

If voters approve the Taxpayer Bill of Rights, or TABOR, schools will suffer, roads will fall into disrepair, police and fire departments will be underfunded, opponents say. The measure takes away local control and will hurt not help the economy, they say.

While there's little disagreement that tax reform and property tax relief are overdue, TABOR is not the right solution, said Larry Benoit, campaign manager for an anti-TABOR group called Citizens United To Protect Our Public Safety, Schools and Communities.

``This is a fatally flawed proposal and will not properly address these issues,'' Benoit said.

The Maine referendum is one of many nationwide that attempt to limit taxes or government spending, according to the Washington-based National Taxpayers Union.

Proposals to limit state government spending are on the ballot in Nebraska and Oregon. Initiatives in South Dakota, Washington, South Carolina, New Jersey and Arizona deal with property, inheritance and sales taxes, and even taxes on cell phones, said Pete Sepp, spokesman for the group, which supports lower taxes.

Conversely, ballot initiatives in California, Alaska and elsewhere call for additional taxes on oil production, tobacco, corporations, natural gas and land parcels, he said.

``The level of ballot measure activity is the strongest we've seen in probably a decade,'' Sepp said.

In Maine, groups opposed to TABOR raised more than $1 million by the end of September more than four times as much as supporters had raised.

Polls, however, show more support than opposition for the referendum, although the gap is thought to be shrinking.

Two years ago voters soundly rejected the so-called Palesky tax cap referendum, a California-style tax cap named for tax activist Carol Palesky that would have limited property taxes to 1 percent of a property's assessed value. TABOR, by comparison, would place limits on government spending.

Both proposals represent a revolt against Maine's high tax burden. This year, Mainers paid 13.5 percent of their incomes toward state and local taxes, far above the national average of 10.6 percent, according to the Tax Foundation in Washington, D.C.

The Maine Heritage Policy Center, a conservative think tank, crafted the language for TABOR using as its model Colorado, which adopted a version of a Taxpayers' Bill of Rights in 1992.

**Maine's TABOR would allow government to grow at a ``reasonable'' rate of around 3 percent a year, with any revenues above that limit going to reduce taxes, said Bill Becker, CEO and president of the policy center. The state budget, he said, has doubled in the past decade.**

**The goal of TABOR, he said, is to invigorate the state's economy.**

**Maine has suffered from slow job and personal income growth, and a Federal Reserve Bank analysis last spring said that Maine was one of only two states the other being hurricane-ravaged Louisiana that experienced an economic decline last year.**

**``We've been promised for 30 or 40 years that we could borrow and spend our way to prosperity, but look where we are,'' Becker said.**

TABOR has been endorsed by a number of business groups, including the Maine Oil Dealers Association, the Portland Regional Chamber, the Maine chapter of Associated Builders and Contractors, and the Maine Restaurant Association.

At least six town councils also have endorsed TABOR, which has surprised some people since the councils are the ones that hand out the money.

Steve Ross, chairman of the Scarborough council, opposed the Palesky tax cap proposal in 2004 but said he voted to endorse TABOR because ``state government is totally out of control.''

``If taxes are a little lower and there are fewer public employees and people need to do a little more on their own, I think that would be healthy,'' Ross said.

Opposition groups include government agencies, unions, the Maine chapter of AARP, some business groups and the head of Maine's Roman Catholic diocese. They say TABOR won't do what it promises and will take away local control of budgets. They say the devil is in the details of proposal.

For instance, if TABOR were now in effect, its formula on municipal and school budgets would have forced 41 percent of school districts and 36 percent of municipalities to cut their budgets this year, opponents say.

Christopher Lockwood, executive director of the Maine Municipal Association, said the initiative contains too many ambiguities and unanswered questions.

Why, he asks, does TABOR require two-thirds of a governing body instead of a simple majority to initiate a citizen referendum to override the measure and increase spending beyond the limits? How will it apply to quasi-governmental agencies, such as water districts? And how will it affect municipalities that hold town meetings to vote on their annual budgets?

``It's one of those situations where the more information people are given about the proposal, the more they'll understand some of the problems," he said.

Critics say Colorado's version of a Taxpayers' Bill of Rights has hurt schools, roads, health care, libraries and public services in that state, and will do the same in Maine.

Ironically, TABOR supporters hold up Colorado as an example of how TABOR will succeed; they say Colorado's taxes fell and economy boomed after voters approved TABOR there.

Mainers will decide for themselves in a little more than three weeks.

In Scarborough, Ross says he hears little talk about the measure a stark contrast to two years ago before the Palesky tax cap referendum.

``Maybe TABOR is a much more reasonable proposition so it doesn't make people as upset," he said.

On the Net:

Taxpayer Bill of Rights: www.taxpayerbillofrights.com

Citizens United to Protect Our Public Safety, Schools and Communities: www.notabor.org

# Policy Soundings- TaBor: Taxpayer Bill of Rights

Sponsored By: Wright Express, Pierce Atwood and Aetna

**Description:**
TaBor: Taxpayer Bill of Rights
Join us for a debate on the Taxpayer Bill of Rights, moderated by Ralph Lancaster, Esq., a partner with Pierce Atwood LLP.

Presenting in favor of the measure is Bill Becker, President & CEO of The Maine Heritage Policy Center.

The opposing point of view will be presented by Jeanne Hulit on behalf of No on 1, Citizens United Against TaBor.

Breakfast begins at 7:30 and the program begins at 7:45am.

Please register by October 25th.

Payment is expected at the time of registration. Cancellations must be recieved in writing at least 48 hours prior to the event for a refund.

**10-19-2006**

Impact of TABOR up for debate

By Deborah McDermott
dmcdermott@seacoastonline.com
Complete Maine News Index

The Taxpayer Bill of Rights debate continues to simmer, with the release this week of an analysis of its impact on schools. And local superintendents say the results have serious implications for the future of public education.
The Maine Municipal Association this week released the data, which has already drawn fire from the bill's author, the Maine Heritage Policy Center.

TABOR, as it is commonly called, will be on the ballot in Maine this November. It governs spending at the state, municipal, county and school levels.

The MMA analysis is based on the impact TABOR would have if it was in effect during the current fiscal year. Under TABOR, the formula for determining each year's school budget would be based on the Consumer Price Index plus the school's enrollment.

According to the analysis, Kittery would have seen a reduction in spending of .38 percent; York, an increase of .58 percent; and SAD 35, which includes Eliot and South Berwick, an increase of .48 percent.

By contrast, voters this spring approved FY 07 budgets with a 4.7 percent increase in Kittery, a 4.5 percent increase in York and a 5 percent increase in SAD 35.

"The change, if this were to pass, would be dramatic, drastic and take place immediately," said Kittery superintendent Larry Littlefield, who is also president of the Maine State Superintendents Association executive committee.

**Maine Heritage Policy Center's Jason Fortin said the MMA analysis is flawed. TABOR's school requirements are intended only for School Administrative Units, such as SAD 35, and Consolidated School Districts - not those school departments that are wholly in a single town like York and Kittery. Those would fall under a different, municipal formula.**

**Any other interpretation, he said, is "categorically not being honest."**

Not so, says MMA legislative advocate Kate Dufour. "That may have been their intent," she said, but according to state law, municipal school districts are included in the definition of a school as defined by TABOR.

This lack of clarity "ought to raise a lot of red flags," said Littlefield. "How can you know what you're voting on?"

Henry Scipione, superintendent of the York schools, said a one-half of 1 percent increase, if in fact the MMA analysis is true, would be devastating.

"If you look at fuel costs alone, that's going to take care of one-half of 1 percent hands down. Services are going to need to be cut back, in some cases significantly."

There is an override provision, but it would require a two-thirds majority vote of town meeting or town council, followed by a majority vote at the next municipal election.

"What's a democracy?" asked Scipione. "Is it a simple majority? It used to be - not a two-thirds vote."

Sunday, October 08, 2006

COLUMN: By JASON A. FORTIN
**Passing it means lower taxes, more economic opportunity**

This November, Maine voters will have the Taxpayer Bill of Rights proposal before them. The proposal provides Mainers with the opportunity to lower their taxes, an action that will promote an environment for greater economic growth and job creation.

Having grown-up in Oakland, I have seen firsthand the economic struggles Central Maine has faced over last decade. Whether it was the Scott Paper Mill Closing in Winslow, or the Dexter Shoe Company closing its Dexter plant, Mainers know the sting of losing good-paying jobs.

While the Central Maine region, just like other areas of the state, has made some progress in rebounding from specific job losses, the state economy continues to fall below its potential.

Consider these facts:

n According to the latest U.S. Census Bureau data, Maine's level of taxation is almost 25 percent higher than the national average; making it the third highest in the nation.

n More Mainers are on Medicaid than the total number of students in the K-12 education system.

n The Federal Reserve Bank of Boston said recently that in 2005, only two states in the nation saw a decline in economic activity: Maine and hurricane-ravaged Louisiana.

While sobering, these statistics are by no means carved in stone. Mainers can and will overcome these challenges, and in doing so, unleash Maine's economic potential. The key catalyst for overcoming these challenges is the Maine Taxpayer Bill of Rights.

The first step in addressing the high level of taxation is to control the growth in government spending because that determines the level of taxation. The Taxpayer Bill of Rights provides the spending restraint necessary to lower taxes while allowing for a reasonable growth allowance for state and local governmental spending based on inflation plus population growth.

In fact, the Maine Taxpayer Bill of Rights would provide significant state and local growth allowances worth an estimated $191 million per fiscal year. Such a growth allowance ensures your roads are plowed; firefighters, policemen, and teachers are provided pay raises; and programs to protect the needy are appropriately funded.

If lawmakers want to exceed the growth allowance, all they have to do, as they already do with bonds, is ask for the voters to approve the additional spending.

In addition to providing for annual growth allowances, the Taxpayer Bill of Rights gives voters the final say over what new, or increased, taxes and fees are imposed by politicians. This provision provides taxpayers with the added security of knowing what tax is being raised or created. It is reasonable for voters, not politicians, to have the final say over what new taxes or fees are imposed on them.

A portion of tax dollars collected that exceed the growth allowance are put into a budget stabilization fund. Even more excess revenue is returned to the taxpayer in the form of rebates or tax rate reductions. That budget stabilization fund establishes a significant cash reserve in the event of a budget crisis.

Leveling Maine's tax burden is vitally important to allowing Maine employers to be economically competitive with the rest of the nation, or the world for that matter.

A multitude of academic studies have shown that high levels of taxation are a serious impediment to economic growth, and such an impediment is especially great in Maine, where taxes are nearly 25 percent higher than the national average.

The Taxpayer Bill of Rights is a reasonable and effective tool to begin lowering Maine's tax burden. Lowering taxes will allow for the emergence of strong and vibrant local economies that provide good paying jobs for Mainers.

Jason A. Fortin, a graduate of Waterville High School and Bowdoin College, is the director of communications for The Maine Heritage Policy Center.

The Maine View
Published by The Maine Heritage Policy Center
Vol. 4, Issue No. 8 September 12, 2006

# A Taxpayer Bill of Rights: Improving Mainers' Incomes

by J. Scott Moody, M.A.

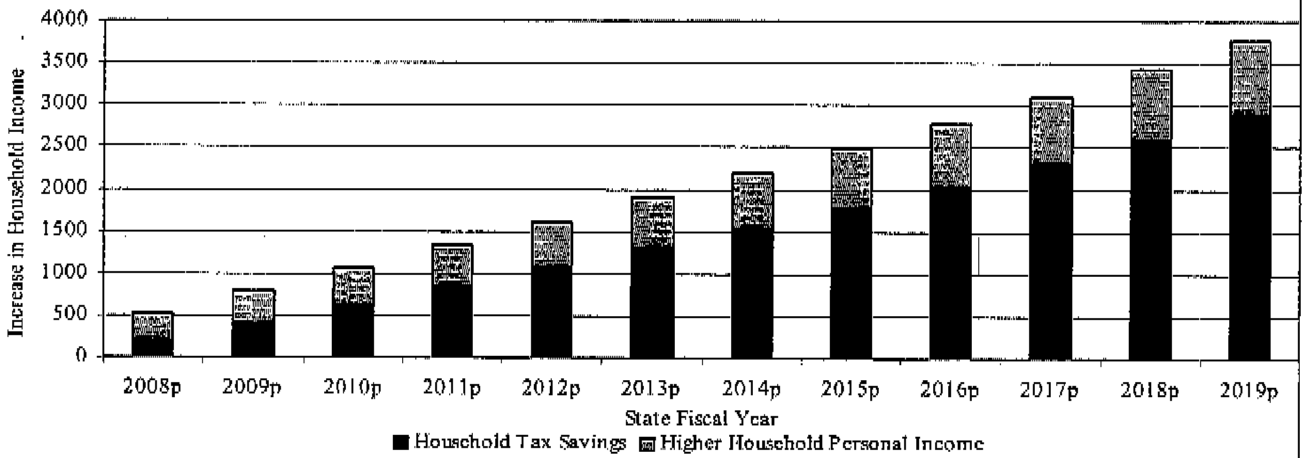
This report concludes that at the end of the day, the Maine Taxpayer Bill of Rights will mean more money in Mainers' pockets. The analysis updates and expands on a previous study that examined the positive impact of the Maine Taxpayer Bill of Rights (see The Maine View, Vol. 4, Issue No. 5, "A Taxpayer Bill of Rights: The Cure for Maine's High Taxes"). The update includes new state and local tax data and economic forecasts from the U.S. Census Bureau, along with new dynamic modeling of the positive effects that the Maine Taxpayer Bill of Rights will have on the Maine economy. The dynamic economic modeling was performed by the Beacon Hill Institute's State Tax Analysis Modeling Program (STAMP).

The Maine STAMP model is a comprehensive model of the Maine economy. It is designed to capture the principal effects of tax and spending changes on the economy. It is a five-year "dynamic" computable general equilibrium model. As such, it provides a mathematical description of the economic relationships among producers, households, government and the rest of the world. The Maine STAMP model demonstrates how a lower level of state taxes under the Taxpayer Bill of Rights will result in higher incomes for all Mainers (local taxes are excluded in the STAMP model analysis. See Methodology and Appendix sections for more detail on the model).

Key findings include:

- When accounting for both lower taxes and increased economic activity due to the Maine Taxpayer Bill of Rights, Maine's level of state and local taxation as a percent of personal income will return to the national average by fiscal year (FY) 2019—after a 43 year hiatus.
- In FY 2019 alone, Mainer's will save $2.3 billion in taxes ($1.8 billion in 2006 dollars) and will have $560 million ($441 million in 2006 dollars) in more income due to economic growth spurred by the Maine Taxpayer Bill of Rights.
- In FY 2019 alone, the Maine Taxpayer Bill of Rights will provide Mainers with an additional $3,782 dollars ($2,980 in 2006 dollars) per households to spend—$2,893 due to lower taxes and $888 due to higher incomes.

Chart 1
Mainer's Household Income Improves Under the Taxpayer Bill of Rights
State Fiscal Years 2008 to 2019




Source: U.S. Census Bureau, Bureau of Economic Analysis, MHPC Calculations based on STAMP Model and Maine State Government Data.

**What is the STAMP Model?**

The Maine STAMP model is a comprehensive model of the Maine economy, designed to capture the principal effects of tax and spending changes on the economy. It is a five-year "dynamic" computable general equilibrium tax model. As such, it provides a mathematical description of the economic relationships among producers, households, government and the rest of the world. It is general in the sense that it takes all the important markets and cash flows into account. It is an equilibrium model because it assumes that demand equals supply in every market (goods and services, labor and capital); this is achieved by allowing prices to adjust within the model (i.e., prices are endogenous). The model is computable because it can be used to generate numeric solutions to concrete policy and tax and spending changes, with the help of a computer. And, it is a tax model because it pays particular attention to identifying the role played by different taxes and spending. (see Appendix for details on the construction of the STAMP model)

In essence, the STAMP model quantifies how government tax and spending policies affect the rate of economic development. If taxes go up, then there are fewer resources in the private sector for consumption and investment, lowering the growth potential of the economy. Some of this is compensated for by higher government spending, but there are "deadweight losses" associated with taxation that can not be compensated for with higher government spending.

Deadweight loss is a term used by economists to describe the economic inefficiencies created by taxation, such as when taxpayers reduce work and/or consumption or shift income to avoid taxation. In other words, the very process of transferring resources from the private to the government sector results in a permanent loss of potential economic output. Overall, the private sector not only has fewer resources due to taxation, but must also bear these "deadweight losses."

For example, Dr. Martin Feldstein, president and CEO of the National Bureau of Economic Research, estimated that the 1993 Federal income tax increase resulted a deadweight loss of $2 for every $1 raised in taxes.[1]

On the other hand, lower taxes due to the Maine Taxpayer Bill of Rights will increase resources within the private sector and reduce deadweight losses on the economy. As a result, Maine's economy will generate more jobs, increase investment and boost personal income. Table 1 shows the results of the STAMP model's simulation of the economic benefits associated with the Taxpayer Bill of Rights. In FYs 2008 (the first year under the Taxpayer Bill of Rights), 2009 and 2010, personal income will grow by $178 million, $214 million and $248 million, respectively; employment will grow by 4,441 jobs, 4,282 jobs and 4,124 jobs, respectively; and investment will grow by $10 million, $16 million and $21 million, respectively.

Keep in mind, however, that the STAMP model only incorporates the effects of lower state level taxes. Unfortunately, due to data constraints, the STAMP model is unable to forecast changes to the economy due to lower property taxes at the local level. Lower property taxes are approximately half of the total tax savings created by the Taxpayer Bill of Rights. As a result of the Maine STAMP model limitations, the shown economic benefits of a lower property tax burden resulting from the Maine Taxpayer Bill of Rights is greatly understated.

**The Taxpayer Bill of Rights Equals Higher Economic Growth and Lower Taxes**

When looking at the level of state and local taxation as a percent of personal income, there are two ways to reduce taxes. The first is direct, through a reduction in tax burdens through legislative action. The second is indirect, by boosting the growth in personal income. Fortunately for Mainers, the Maine Taxpayer Bill of Rights will do both by lowering tax burdens via spending restraint. In the long run, lower tax burdens will make Maine more economically competitive, leading to greater job and income growth. Chart 2 and Table 3 show that when both factors are taken into account, Maine's level of state and local taxation as a percent of personal income will return to the national average by FY 2019, two years faster than previously estimated.[2]

By FY 2019, Maine's ranking of state and local tax collections as a percent of income will fall to the 19th highest in the nation. For more information on Maine's historical state and local tax burden see Maine Issue Brief "An Update of Maine's State and Local Tax Collections."[3] Maine's ranking has not been that low since FY 1977—a 43 year hiatus!

Table 1
STAMP Model Projection of Economic Feedback due to Economic Growth Generated by the Maine Taxpayer Bill of Rights
State Fiscal Years 2008 to 2010

| | 2008p | 2009p | 2010p |
|---|---|---|---|
| Personal Income (Dollars in Billions) | | | |
| Baseline Economic Growth | $41.740 | $41.740 | $41.740 |
| Dynamic Economic Growth | $41.919 | $41.954 | $41.988 |
| Difference | $0.178 | $0.214 | $0.248 |
| Employment | | | |
| Baseline Economic Growth | $621,900 | $626,200 | $630,149 |
| Dynamic Economic Growth | $626,341 | $630,482 | $634,273 |
| Difference | $4,441 | $4,282 | $4,124 |
| Investment (Dollars in Billions) | | | |
| Baseline Economic Growth | $5.207 | $5.275 | $5.344 |
| Dynamic Economic Growth | $5.217 | $5.291 | $5.365 |
| Difference | $0.010 | $0.016 | $0.021 |

Source: Maine STAMP Model.

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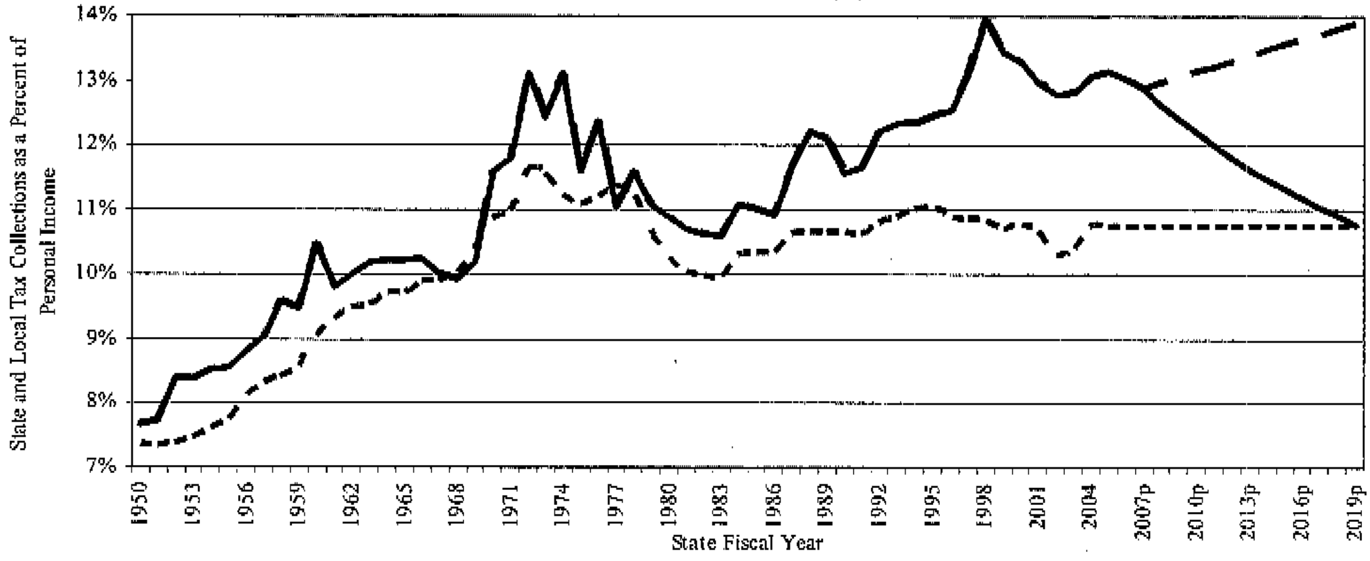
Table 2
Maine's Historical State and Local Tax Collections
State Fiscal Years 1950 to 2004
Dollars in Thousands

| State Fiscal Year | National State and Local Tax Collections as a Percent of Personal Income | State and Local | | | |
|---|---|---|---|---|---|
| | | Total | Year-over-Year Percent Growth | Percent of Personal Income | Rank |
| 1950* | 7.36% | $82,173 | -- | 7.64% | 22 |
| 1951 | 7.33% | $88,319 | 7.5% | 7.71% | 22 |
| 1952* | 7.36% | $105,573 | 19.5% | 8.40% | 14 |
| 1953* | 7.44% | $109,953 | 4.1% | 8.37% | 15 |
| 1954 | 7.60% | $112,917 | 2.7% | 8.52% | 18 |
| 1955 | 7.74% | $119,723 | 6.0% | 8.53% | 20 |
| 1956 | 8.12% | $133,551 | 11.5% | 8.81% | 23 |
| 1957 | 8.29% | $143,655 | 7.6% | 9.05% | 23 |
| 1958* | 8.38% | $157,662 | 9.8% | 9.57% | 13 |
| 1959 | 8.57% | $162,265 | 2.9% | 9.47% | 19 |
| 1960* | 9.03% | $188,429 | 16.1% | 10.46% | 9 |
| 1961* | 9.32% | $182,173 | -3.3% | 9.78% | 20 |
| 1962 | 9.45% | $191,337 | 5.0% | 10.01% | 18 |
| 1963 | 9.53% | $201,574 | 5.4% | 10.17% | 16 |
| 1964 | 9.69% | $213,867 | 6.1% | 10.20% | 19 |
| 1965 | 9.71% | $231,535 | 8.3% | 10.21% | 19 |
| 1966 | 9.87% | $248,788 | 7.5% | 10.22% | 23 |
| 1967 | 9.87% | $257,424 | 3.5% | 9.99% | 25 |
| 1968 | 10.03% | $270,545 | 5.1% | 9.90% | 25 |
| 1969* | 10.39% | $301,321 | 11.4% | 10.16% | 26 |
| 1970* | 10.86% | $377,715 | 25.4% | 11.61% | 14 |
| 1971* | 10.97% | $415,650 | 10.0% | 11.80% | 12 |
| 1972 | 11.63% | $501,194 | 20.6% | 13.12% | 7 |
| 1973 | 11.57% | $528,745 | 5.5% | 12.44% | 7 |
| 1974* | 11.25% | $625,547 | 18.3% | 13.11% | 4 |
| 1975* | 11.10% | $605,115 | -3.3% | 11.60% | 9 |
| 1976 | 11.20% | $718,465 | 18.7% | 12.37% | 8 |
| 1977 | 11.36% | $716,522 | -0.3% | 11.04% | 19 |
| 1978 | 11.20% | $826,676 | 15.4% | 11.60% | 13 |
| 1979* | 10.63% | $875,057 | 5.9% | 11.05% | 17 |
| 1980* | 10.27% | $965,543 | 10.3% | 10.88% | 12 |
| 1981* | 10.02% | $1,062,612 | 10.1% | 10.72% | 13 |
| 1982* | 9.97% | $1,152,869 | 8.5% | 10.63% | 13 |
| 1983* | 9.95% | $1,240,012 | 7.6% | 10.60% | 12 |
| 1984 | 10.29% | $1,420,538 | 14.6% | 11.09% | 12 |
| 1985 | 10.31% | $1,545,328 | 8.8% | 11.00% | 12 |
| 1986 | 10.36% | $1,659,782 | 7.4% | 10.92% | 12 |
| 1987 | 10.61% | $1,931,357 | 16.4% | 11.70% | 7 |
| 1988 | 10.66% | $2,207,217 | 14.3% | 12.21% | 6 |
| 1989 | 10.64% | $2,385,169 | 8.1% | 12.10% | 5 |
| 1990 | 10.64% | $2,423,966 | 1.6% | 11.57% | 9 |
| 1991* | 10.62% | $2,510,360 | 3.6% | 11.65% | 9 |
| 1992 | 10.79% | $2,707,735 | 7.9% | 12.23% | 6 |
| 1993 | 10.89% | $2,824,806 | 4.3% | 12.35% | 7 |
| 1994 | 11.00% | $2,914,862 | 3.2% | 12.34% | 8 |
| 1995 | 11.03% | $3,060,691 | 5.0% | 12.46% | 5 |
| 1996 | 10.89% | $3,231,393 | 5.6% | 12.54% | 5 |
| 1997 | 10.85% | $3,554,711 | 10.0% | 13.09% | 3 |
| 1998 | 10.83% | $4,012,318 | 12.9% | 13.95% | 1 |
| 1999 | 10.72% | $4,082,369 | 1.7% | 13.45% | 2 |
| 2000* | 10.76% | $4,262,142 | 4.4% | 13.28% | 2 |
| 2001* | 10.67% | $4,420,465 | 3.7% | 12.95% | 2 |
| 2002 | 10.29% | $4,541,146 | 2.7% | 12.77% | 2 |
| 2003 | 10.42% | $4,697,067 | 3.4% | 12.82% | 2 |
| 2004 | 10.74% | $5,009,192 | 6.6% | 13.05% | 3 |
| Average Annual Increase | 0.46% | $89,582 | 7.76% | 0.98% | -- |

Note: "*" on year denotes a recessionary quarter(s).
Source: U.S. Census Bureau, Bureau of Economic Analysis, MHPC Calculations.

Chart 2
Maine's State and Local Tax Collections as a Percent of Personal Income
State Fiscal Years 1950 to 2019




Source: U.S. Census Bureau, Bureau of Economic Analysis, MHPC Calculations.

Table 3
Maine's Projected State and Local Tax Collections under the Taxpayer Bill of Rights (Effective FY 2008)
State Fiscal Years 2005 to 2019
Dollars in Thousands

| State Fiscal Year | Goal: National State and Local Tax Collections as a Percent of Personal Income (a) | State and Local: Total | State and Local: Year-over-Year Percent Growth | State and Local: Percent of Personal Income | State and Local: Rank |
|---|---|---|---|---|---|
| 2005p | 10.74% | $5,307,048 | -- | 13.13% | 3 |
| 2006p | 10.74% | $5,524,056 | 4.1% | 13.02% | 3 |
| 2007p | 10.74% | $5,709,741 | 3.4% | 12.88% | 3 |
| 2008 (TABOR) | 10.74% | $5,863,642 | 2.7% | 12.61% | 3 |
| 2009 (TABOR) | 10.74% | $6,024,761 | 2.7% | 12.39% | 3 |
| 2010 (TABOR) | 10.74% | $6,193,350 | 2.8% | 12.18% | 3 |
| 2011 (TABOR) | 10.74% | $6,370,890 | 2.9% | 11.99% | 4 |
| 2012 (TABOR) | 10.74% | $6,560,636 | 3.0% | 11.81% | 5 |
| 2013 (TABOR) | 10.74% | $6,760,748 | 3.1% | 11.64% | 7 |
| 2014 (TABOR) | 10.74% | $6,969,761 | 3.1% | 11.48% | 8 |
| 2015 (TABOR) | 10.74% | $7,189,924 | 3.2% | 11.33% | 8 |
| 2016 (TABOR) | 10.74% | $7,421,492 | 3.2% | 11.19% | 12 |
| 2017 (TABOR) | 10.74% | $7,660,956 | 3.2% | 11.05% | 14 |
| 2018 (TABOR) | 10.74% | $7,905,071 | 3.2% | 10.91% | 16 |
| 2019 (TABOR) | 10.74% | $8,156,284 | 3.2% | 10.77% | 19 |
| Average Annual Increase (TABOR Years Only, 2008 to 2019) | -- | $191,054 | 2.79% | -1.31% | -- |

(a) Held constant.
(b) State Tax Collections for FY 2005 are actual not projected.
Source: U.S. Census Bureau, Bureau of Economic Analysis, MHPC Calculations based on STAMP Model and Maine State Government data--see Methodology section for more details.

**Mainer's Reap Financial Benefits from the Maine Taxpayer Bill of Rights**

At the end of the day, the Maine Taxpayer Bill of Rights means more money in Mainer's pockets. Mainers will enjoy higher disposable, i.e., after-tax, personal income because of lower overall taxes and greater economic growth.

As shown in Table 4, under the Maine Taxpayer Bill of Rights in FY 2008, Mainers will have a net increase in disposable personal income of $320 million ($307 million in 2006 dollars). This amounts to an increase in disposable personal income of $520 per household ($499 in 2006 dollars). Mainers will save $142 million in taxes ($136 million in 2006 dollars) and will have $178 million ($171 million in 2006 dollars) more in income from increased economic activity due to the Taxpayer Bill of Rights.

More impressively, by FY 2019, the increase in disposable personal income is significantly greater. In FY 2019 alone, Mainer's will save $2.3 billion in taxes ($1.8 billion in 2006 dollars) and will have $560 million ($441 million in 2006 dollars) more in income—a net benefit to disposable personal income of $2.8 billion ($2.2 billion in 2006 dollars). This amounts to an increase in disposable personal income of $3,782 per household ($2,980 in 2006 dollars). See Chart 1(b) in the appendix for the dollar increase in household income adjusted for 2006 dollars.

**Methodology**

*STAMP Model*

The "dynamic" analysis provided by the STAMP model pertains to FY 2008 (the first year the Taxpayer Bill of Rights will be in effect) to FY 2010. Since the model does not project beyond FY 2010, this study assumes that increase in personal income continues to grow at a linear rate based on the STAMP model's FY 2008 to FY 2010 projections. This assumption was deemed to be an acceptable extrapolation of the STAMP model's results by the Beacon Hill Institute.

The STAMP analysis is an understatement of the positive economic benefits of the Taxpayer Bill of Rights because the STAMP model only estimates the effects of lower state level taxes—which represent about half of the total tax reduction due to the Taxpayer Bill of Rights. The estimated tax reduction was simulating by using a proportional reduction in the individual income tax, corporate income tax and the sales tax.

The attached Appendix is the official STAMP documentation written by the Beacon Hill Institute.

Table 4
Mainer's Finances Improve Under the Taxpayer Bill of Rights
State Fiscal Years 2008 to 2019

| State Fiscal Year | Nominal Dollars | | | | | | FY 2006 Dollars | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Higher Personal Income (Dollars in Thousands) | Tax Savings (Dollars in Thousands) | Total Change in Disposable Personal Income (Dollars in Thousands) | Higher Household Personal Income | Household Tax Savings | Total Change in Household Disposable Personal Income | Higher Personal Income (Dollars in Thousands) | Tax Savings (Dollars in Thousands) | Total Change in Disposable Personal Income (Dollars in Thousands) | Higher Household Personal Income | Household Tax Savings | Total Change in Household Disposable Personal Income |
| 2008 (TABOR) | $178,435 | $141,730 | $320,165 | $318 | $202 | $520 | $171,188 | $135,974 | $307,162 | $305 | $194 | $499 |
| 2009 (TABOR) | $214,170 | $291,286 | $505,455 | $378 | $411 | $789 | $201,783 | $274,439 | $476,221 | $356 | $387 | $743 |
| 2010 (TABOR) | $247,840 | $449,172 | $697,012 | $433 | $627 | $1,060 | $229,349 | $415,661 | $645,010 | $400 | $580 | $981 |
| 2011 (TABOR) | $282,542 | $614,699 | $897,241 | $488 | $849 | $1,337 | $256,817 | $558,732 | $815,549 | $443 | $772 | $1,215 |
| 2012 (TABOR) | $317,244 | $785,446 | $1,102,691 | $542 | $1,074 | $1,616 | $283,313 | $701,437 | $984,750 | $484 | $959 | $1,443 |
| 2013 (TABOR) | $351,947 | $964,125 | $1,316,072 | $595 | $1.304 | $1,899 | $308,777 | $845,867 | $1,154,644 | $522 | $1,144 | $1,666 |
| 2014 (TABOR) | $386,649 | $1,153,119 | $1,539,768 | $647 | $1,543 | $2,190 | $333,222 | $993,783 | $1,327,005 | $557 | $1,330 | $1,887 |
| 2015 (TABOR) | $421,351 | $1,351,140 | $1,772,491 | $697 | $1,789 | $2,486 | $356,792 | $1,144,117 | $1,500,909 | $590 | $1,515 | $2,105 |
| 2016 (TABOR) | $456,054 | $1,558,944 | $2,014,998 | $747 | $2,042 | $2,789 | $379,373 | $1,296,823 | $1,676,195 | $621 | $1,699 | $2,320 |
| 2017 (TABOR) | $490,756 | $1,781,100 | $2,271,856 | $795 | $2,309 | $3,104 | $400,957 | $1,455,193 | $1,856,150 | $650 | $1,886 | $2,536 |
| 2018 (TABOR) | $525,458 | $2,021,965 | $2,547,423 | $842 | $2,593 | $3,435 | $421,650 | $1,622,512 | $2,044,162 | $676 | $2,081 | $2,757 |
| 2019 (TABOR) | $560,160 | $2,280,261 | $2,840,421 | $888 | $2,893 | $3,782 | $441,478 | $1,797,135 | $2,238,613 | $700 | $2,280 | $2,980 |

Source: U.S. Census Bureau, Bureau of Economic Analysis, Congressional Budget Office, MHPC Calculations based on STAMP Model and Maine State Government data--see Methodology section for more details..

*The Taxpayer Bill of Rights*

While this study focuses on the effects that the Taxpayer Bill of Rights will have on the level of taxation in Maine; technically, the Taxpayer Bill of Rights is a check on spending, not taxes per se. Three key assumptions in this analysis are:

1. State and local budgets are always in balance (revenue equals expenditures)
2. The current ratio of state and local taxes to expenditures remains constant.
3. Growth allowances are zero or positive. *Negative growth allowances are not mandated by the referendum language.* [4]

With these assumptions, the same growth allowances applied to expenditures can also be applied to taxes. Each of the formulas is presented along with their data sources and methodology:

The growth allowance for the state government is based on the change in population plus the inflation rate. The projection of state-wide population is from the Census Bureau's population estimate to 2030 and can be found at:

> http://www.census.gov/population/www/projections/projectionsagesex.html
> The projection for the inflation rate is from the February 2006 Report of the Consensus Economic Forecasting Commission. The projection goes out to CY 2009 after which this study holds constant the CY 2009 inflation rate (2.8 percent) to CY 2020. The report can be found at:
> http://www.state.me.us/legis/ofpr/CEFC%20Feb%202006.pdf

The growth allowance for local governments is broken down into two components:

> Education Spending—The growth allowance for education is based on the change in school enrollment plus the inflation rate. The projection for school enrollment is from the State Planning Office's "Forecast of Residents Educated at Public Expense by Town to 2017" and can be found at:
> http://www.state.me.us/spo/economics/economics/spreadsheetfiles/publicexpense2017c.xls
> The projection for the inflation rate is same as the state growth allowance.
>
> All Other Spending—The growth allowance for all other spending is based on the lesser of the change in property tax assessment versus the change in population plus the inflation rate. The projection in local property assessments is based on a linear extrapolation of property assessments from 1999 to 2004 as found in "Municipal Valuation Return Statistical Summary" published by the Maine Revenue Services Property Tax Division and can be found at:
> http://www.state.me.us/revenue/propertytax/Municipal%20Services%20Files/data.htm
> The change in population is based on the State Planning Office's "Town-Level Population Projection to 2020 (with age cohorts)" and can be found at:
> http://www.maine.gov/spo/landuse/docs/Population/TownAgeForecastSummary.xls
> The projection for the inflation rate is the same as the state growth allowance.
>
> The split between "education" and "all other" spending was calculated by subtracting education spending from total tax commitments—leaving "all other" as a residual. The data for local tax commitments comes from the same source as local property assessments mentioned above. The data for education spending is from the Department of Education's "Mills Raised for Education" and can be found at:
> http://www.maine.gov/education/data/budget/budget.htm

Finally, the projected growth allowances calculated for the state and local governments to 2019 are applied to the state and local tax collection data published by the Census Bureau and can be found at:
http://www.census.gov/govs/www/index.html.

**Notes and Sources**

[1] For an in-depth analysis on the causes and economic consequences of "deadweight losses" see: Daniel Feenberg and Martin Feldstein, "The Effect of Increased Tax Rates on Taxable Income and Economic Efficiency: A Preliminary Analysis of the 1993 Tax Rate Increases," NBER Working Paper 5370, November 1995.

[2] Half of the decline was due to the new updated U.S. Census Bureau data which showed that the national average level of state and local taxation as a percent of personal income increased at a faster rate than Maine's. The other half of the decline was due to the faster economic growth and increased personal income created by the Taxpayer Bill of Rights. In addition, this is a conservative estimate because the STAMP model is unable to estimate the positive growth effects of reduced taxation at the local level.

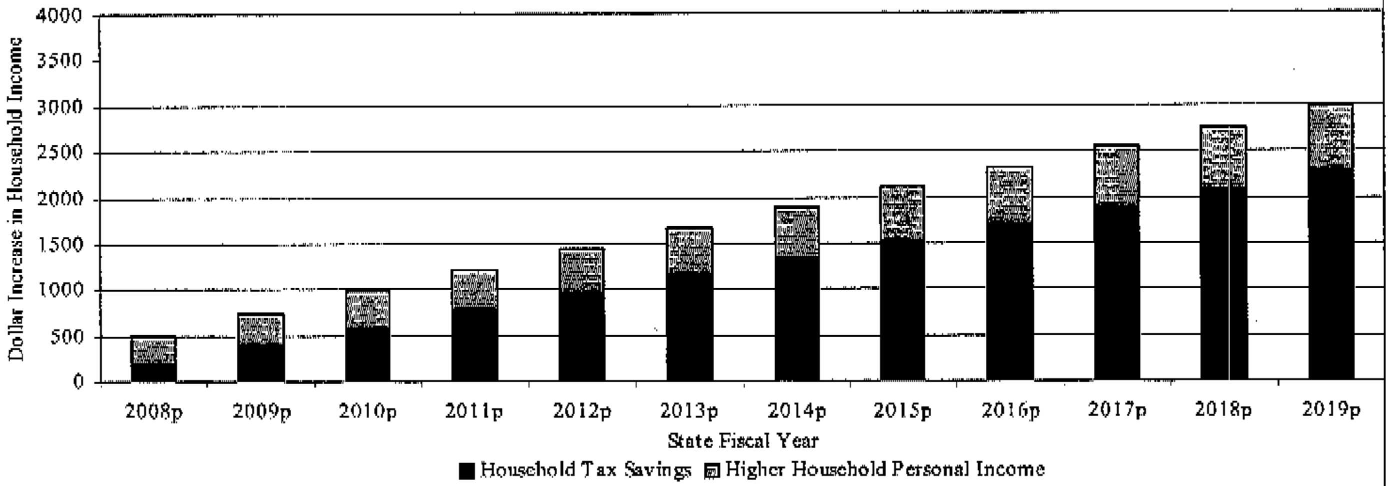
[3] Moody, J. Scott. Maine Issue Brief No. 1, *An Update of Maine's State and Local Tax Collections*, The Maine Heritage

Policy Center, 2006. http://www.mainepolicy.org/Portals/0/Issue%20Brief.%20No.%201%20(final).pdf
[4] Duddy, Michael A., *Legal Analysis: the Maine Taxpayer Bill of Rights Will Not Require a Local District to Reduce its Budget from the Previous Year*, 2006. http://www.mainepolicy.org/Portals/0/Taxpayer%20Bill%20of%20Rights%20-%20no%20budget%20cuts%209-6-06.pdf

**Appendix**

An in depth Maine STAMP explanation is available at: http://www.mainepolicy.org/Portals/0/Maine%20STAMP%202006%20Beacon%20Hill%20Institute.pdf

Chart 1 (b)
Mainer's Household Income Improves Under the Taxpayer Bill of Rights (In 2006 Dollars)
State Fiscal Years 2008 to 2019




Source: U.S. Census Bureau, Bureau of Economic Analysis, Congressional Budget Office, MHPC Calculations based on STAMP Model and Maine State Government Data.

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# A Taxpayer Bill of Rights:

## The Cure for Maine's High Taxes

*by J. Scott Moody, M.A.*

*An Act to Create a Taxpayer Bill of Rights* will be on the November 2006 Maine ballot. Voters will decide whether or not to reign in state and local governmental spending by enacting a predetermined growth allowance. From a tax perspective, this restraint is important because spending is the locomotive for the tax train. In other words, spending determines taxes.

Analyses show that Maine's level of taxation has reached unsustainable heights. As a percent of income, not only were Maine's state and local government tax collections a whopping 24.2 percent higher than the national average in FY 2002, but the trend-line shows a widening disparity between Maine and the national average.

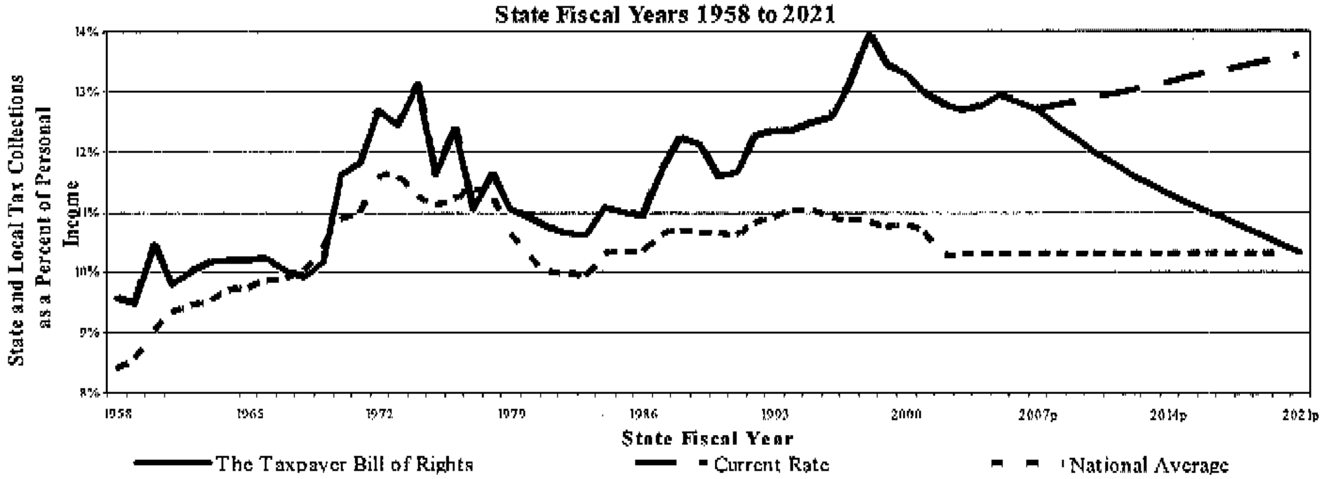
This study examines how the Maine Taxpayer Bill of Rights will arrest, and then reverse, the climb of taxes in Maine over the next 15 years up to 2021. The study assumes that the Maine Taxpayer Bill of Rights goes into effect in FY 2008; is enacted per the exact wording of the ballot initiative; that the growth allowances are not changed; and that other major factors, such as social, economic and government, remain constant. Key findings include:

- Maine's state and local taxes as a percent of personal income are at such a high level that, even under the Maine Taxpayer Bill of Rights, Maine's taxes will not fall to the national average (10.3 percent of personal income) until FY 2021.
- Maine's ranking of state and local taxes as a percent of personal income will fall under the Maine Taxpayer Bill of Rights to number 19 by FY 2021 from number 2 in FY 2006.
- Maine's state and local tax collections grow from approximately $5.6 billion in FY 2006 to $8.7 billion in FY 2021—an average annual increase of nearly $207 million (3.5 percent).
- High tax states, such as Maine, are at a great competitive economic disadvantage vis-à-vis their peer states. [1]
- Maine's municipalities collectively grow almost $63 million per year (2.7 percent) between FY 2008 and FY 2021—almost $39 million (2.8 percent) for education and over $24 million (2.5 percent) for all other local spending.
- This study questions LD 1's ability to meet the statutory provision to lower Maine's tax burden rank to the middle 1/3 of all states by 2015.

**Chart 1**

**Maine's State and Local Tax Collections as a Percent of Personal Income**

**State Fiscal Years 1958 to 2021**




Source: Census Bureau, Bureau of Economic Analysis, MHPC Calculations.

**What is the Maine Taxpayer Bill of Rights?**

The Maine Taxpayer Bill of Rights includes both spending and tax growth allowances based on a well defined formula.[2] A portion of surplus tax collections above the growth allowance are diverted to a budget stabilization fund (20 percent) and the remainder (80 percent) is returned to the taxpayers as either a tax rebate, or a reduction in tax rates.

The state government growth allowance is based on the change in state population plus the inflation rate, determined by the Consumer Price Index (CPI). The growth allowances for local governments are calculated under two separate formulas. First, the school budget growth allowance is determined by taking the percent change in school enrollment and adding that number to the inflation rate. The second half of the municipal spending growth equation is determined by taking the lesser of either the percent change in property valuations, or the percent change in population, and adding that amount to the inflation rate.

Basically, the growth allowance ensures that government grows as the same rate as the population it is serving, at a state, local or school level, plus the rate of inflation.

Exceeding the growth allowance requires a two-thirds majority vote of the governing body and a majority vote of the citizens. Additionally, the Maine Taxpayer Bill of Rights requires any tax increase to meet the same voting requirements. This distinction is important. For example, suppose the state is facing a growth allowance of 3 percent and tax revenue growth of 5 percent. If lawmakers wanted to spend all 5 percent, they would be required to vote a single time, according to the 2/3 supermajority voting provision, and then the increase must gain a majority vote of the citizens. However, suppose the growth allowance and tax revenue growth were both at 3 percent, but lawmakers want to spend 5 percent, requiring a tax increase to raise the additional revenue. In this case, the governing body would have to meet two 2/3 supermajority votes and two majority votes of the citizens—once to exceed the growth allowance, and another in order to raise taxes. Both votes could occur on the same ballot.

The budget stabilization fund was designed to meet the rare circumstances when tax revenue falls below the growth allowance. Funds can be transferred from the budget stabilization fund to offset a shortfall in tax revenue. For example, suppose the state is facing a shortfall of $100 million brought on by the growth allowance amounting to 3 percent and tax revenue growth of -1 percent. The $100 million could be transferred from the budget stabilization fund to meet the shortfall. The budget stabilization fund provides policymakers with another policy alternative to raising taxes in order to meet revenue shortfalls. This mechanism is an improvement over previous versions of the Taxpayer Bill of Rights such as the one in Colorado.

**Maine's State and Local Tax Collections under the Maine Taxpayer Bill of Rights**

Assuming current trends in tax collections hold, the level of taxation will continue to rise as a percent of Mainer's personal income, as shown in Chart 1. The enactment of the Maine Taxpayer Bill of Rights will reverse this ominous trend.

In order to forecast the tax impact of the Maine Taxpayer Bill of Rights, a number of assumptions are necessary: the Maine Taxpayer Bill of Rights will be in effect in FY 2008; be enacted per the exact wording of the ballot initiative; that the growth allowances will not be changed; and that main factors, such as social, economic and government, remain constant.

Table 1 shows the historical growth in S&L tax collections as a percent of income from FY 1958 to FY 2002. The average annual growth rate of S&L tax collections as a percent of income was 0.6 percent. Resulting from this growth, S&L tax collections as a percent of income grew 33 percent—to 12.8 percent in FY 2002 from 9.6 percent in FY 1958.

Table 2 shows the forecasted growth in S&L tax collections as a percent of income from FY 2003 to FY 2021 under the Maine Taxpayer Bill of Rights. As a result of reasonable growth allowances, the average annual growth rate of S&L tax collections as a percent of income will be -1.1 percent. S&L tax collections as a percent of income will shrink 18.9 percent— to 10.3 percent in FY 2021 from 12.7 percent in FY 2003—**causing Maine to reach the current national average for the first time since FY 1977, a hiatus of 44 years.**

Chart 2 shows the annual change of nominal S&L tax collections. Between FY 1958 and FY 2002, the average annual growth rate of S&L nominal tax collections was 8.1 percent. However, with the Maine Taxpayer Bill of Rights, the average annual growth rate of S&L nominal tax collections between FY 2003 and FY 2021 is a much reduced 3.5 percent. Even with the lower growth rate, this growth translates into an average of nearly **$207 million in additional state and local spending per year**.

**Maine's State and Local Tax Rank under the Taxpayer Bill of Rights**

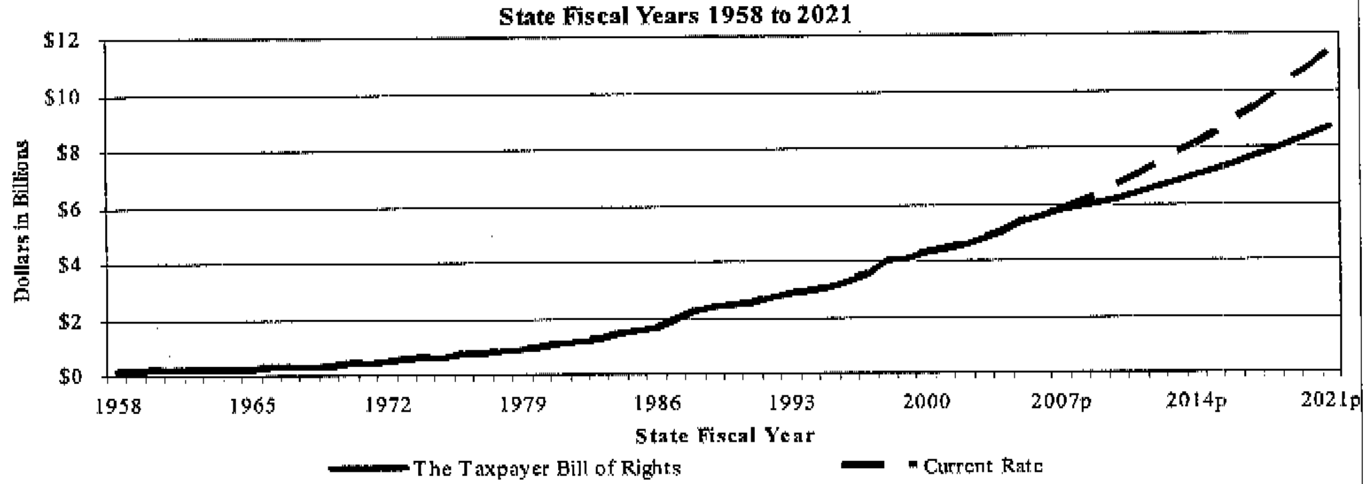
Using data from the U.S. Census Bureau and Bureau of Economic Analysis, Chart 3 plots Maine's S&L tax collections as a percent of income ranked against the other 49 states. In FY 1998, Maine took the dubious distinction of having the highest level of taxation in the nation. Since FY 1998, Maine has not fared any better, settling into the number 2 spot year after year.

Table 1
Maine's Historical State and Local Tax Collections
State Fiscal Years 1958 - 2002
Dollars in Thousands

| State Fiscal Year | National State and Local Tax Collections as a Percent of Personal Income | State and Local | | | | State | | | Local | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Total | Year-over-Year Percent Growth | Percent of Personal Income | Rank | Total | Year-over-Year Percent Growth | Percent of Personal Income | Total | Year-over-Year Percent Growth | Percent of Personal Income |
| 1958* | 8.4% | $157,662 | | 9.6% | 13 | $78,762 | | 4.8% | $78,900 | | 4.8% |
| 1959 | 8.6% | $162,265 | 2.9% | 9.5% | 19 | $81,165 | 3.1% | 4.7% | $81,100 | 2.8% | 4.7% |
| 1960* | 9.0% | $188,429 | 16.1% | 10.5% | 9 | $86,929 | 7.1% | 4.8% | $101,500 | 25.2% | 5.6% |
| 1961 | 9.3% | $182,173 | -3.3% | 9.8% | 20 | $90,073 | 3.6% | 4.8% | $92,100 | -9.3% | 4.9% |
| 1962 | 9.5% | $191,337 | 5.0% | 10.0% | 18 | $93,387 | 3.7% | 4.9% | $97,950 | 6.4% | 5.1% |
| 1963 | 9.5% | $201,574 | 5.4% | 10.2% | 15 | $97,774 | 4.7% | 4.9% | $103,800 | 6.0% | 5.2% |
| 1964 | 9.7% | $213,867 | 6.1% | 10.2% | 19 | $109,667 | 12.2% | 5.2% | $104,200 | 0.4% | 5.0% |
| 1965 | 9.7% | $231,535 | 8.3% | 10.2% | 19 | $117,735 | 7.4% | 5.2% | $113,800 | 9.2% | 5.0% |
| 1966 | 9.9% | $248,788 | 7.5% | 10.2% | 23 | $127,988 | 8.7% | 5.3% | $120,800 | 6.2% | 5.0% |
| 1967 | 9.9% | $257,424 | 3.5% | 10.0% | 25 | $132,524 | 3.5% | 5.1% | $124,900 | 3.4% | 4.8% |
| 1968 | 10.0% | $270,545 | 5.1% | 9.9% | 25 | $146,145 | 10.3% | 5.3% | $124,400 | -0.4% | 4.6% |
| 1969* | 10.4% | $301,321 | 11.4% | 10.2% | 26 | $158,221 | 8.3% | 5.3% | $143,100 | 15.0% | 4.8% |
| 1970* | 10.9% | $377,715 | 25.4% | 11.6% | 14 | $207,615 | 31.2% | 6.4% | $170,100 | 18.9% | 5.2% |
| 1971 | 11.0% | $415,650 | 10.0% | 11.8% | 12 | $232,150 | 11.8% | 6.6% | $183,500 | 7.9% | 5.2% |
| 1972 | 11.5% | $483,959 | 16.4% | 12.7% | 7 | $276,459 | 19.1% | 7.2% | $207,500 | 13.1% | 5.4% |
| 1973* | 11.6% | $528,745 | 9.3% | 12.4% | 7 | $303,645 | 9.8% | 7.1% | $225,100 | 8.5% | 5.3% |
| 1974* | 11.3% | $625,547 | 18.3% | 13.1% | 4 | $336,347 | 10.8% | 7.0% | $289,200 | 28.5% | 6.1% |
| 1975* | 11.1% | $605,115 | -3.3% | 11.6% | 9 | $369,015 | 9.7% | 7.1% | $236,100 | -18.4% | 4.5% |
| 1976 | 11.2% | $718,465 | 18.7% | 12.4% | 8 | $530,565 | 43.8% | 9.1% | $187,900 | -20.4% | 3.2% |
| 1977 | 11.4% | $716,522 | -0.3% | 11.0% | 19 | $468,462 | -11.7% | 7.2% | $248,060 | 32.0% | 3.8% |
| 1978 | 11.2% | $826,676 | 15.4% | 11.6% | 13 | $527,396 | 12.6% | 7.4% | $299,280 | 20.6% | 4.2% |
| 1979 | 10.6% | $875,057 | 5.9% | 11.1% | 17 | $553,769 | 5.0% | 7.0% | $321,288 | 7.4% | 4.1% |
| 1980* | 10.3% | $965,543 | 10.3% | 10.9% | 12 | $619,160 | 11.8% | 7.0% | $346,383 | 7.8% | 3.9% |
| 1981* | 10.0% | $1,062,612 | 10.1% | 10.7% | 13 | $674,316 | 8.9% | 6.8% | $388,296 | 12.1% | 3.9% |
| 1982* | 10.0% | $1,152,869 | 8.5% | 10.6% | 13 | $727,979 | 8.0% | 6.7% | $424,890 | 9.4% | 3.9% |
| 1983 | 10.0% | $1,240,012 | 7.6% | 10.6% | 12 | $780,052 | 7.2% | 6.7% | $459,960 | 8.3% | 3.9% |
| 1984 | 10.3% | $1,420,538 | 14.6% | 11.1% | 12 | $920,273 | 18.0% | 7.2% | $500,265 | 8.8% | 3.9% |
| 1985 | 10.3% | $1,545,328 | 8.8% | 11.0% | 12 | $1,005,216 | 9.2% | 7.2% | $540,112 | 8.0% | 3.8% |
| 1986 | 10.4% | $1,659,782 | 7.4% | 10.9% | 12 | $1,101,381 | 9.6% | 7.2% | $558,401 | 3.4% | 3.7% |
| 1987 | 10.6% | $1,931,357 | 16.4% | 11.7% | 7 | $1,288,480 | 17.0% | 7.8% | $642,877 | 15.1% | 3.9% |
| 1988 | 10.7% | $2,207,217 | 14.3% | 12.2% | 6 | $1,505,523 | 16.8% | 8.3% | $701,694 | 9.1% | 3.9% |
| 1989 | 10.6% | $2,385,169 | 8.1% | 12.1% | 5 | $1,590,423 | 5.6% | 8.1% | $794,746 | 13.3% | 4.0% |
| 1990* | 10.6% | $2,423,966 | 1.6% | 11.6% | 9 | $1,560,869 | -1.9% | 7.5% | $863,097 | 8.6% | 4.1% |
| 1991* | 10.6% | $2,510,360 | 3.6% | 11.7% | 9 | $1,558,231 | -0.2% | 7.2% | $952,129 | 10.3% | 4.4% |
| 1992 | 10.8% | $2,707,735 | 7.9% | 12.2% | 6 | $1,670,488 | 7.2% | 7.5% | $1,037,247 | 8.9% | 4.7% |
| 1993 | 10.9% | $2,824,806 | 4.3% | 12.3% | 7 | $1,763,941 | 5.6% | 7.7% | $1,060,865 | 2.3% | 4.6% |
| 1994 | 11.0% | $2,914,862 | 3.2% | 12.3% | 8 | $1,764,588 | 0.0% | 7.5% | $1,150,274 | 8.4% | 4.9% |
| 1995 | 11.0% | $3,060,691 | 5.0% | 12.5% | 5 | $1,812,574 | 2.7% | 7.4% | $1,248,117 | 8.5% | 5.1% |
| 1996 | 10.9% | $3,231,393 | 5.6% | 12.5% | 5 | $1,896,564 | 4.6% | 7.4% | $1,334,829 | 6.9% | 5.2% |
| 1997 | 10.8% | $3,554,711 | 10.0% | 13.1% | 3 | $2,019,491 | 6.5% | 7.4% | $1,535,220 | 15.0% | 5.7% |
| 1998 | 10.8% | $4,012,318 | 12.9% | 13.9% | 1 | $2,369,820 | 17.3% | 8.2% | $1,642,498 | 7.0% | 5.7% |
| 1999 | 10.7% | $4,082,369 | 1.7% | 13.4% | 2 | $2,540,581 | 7.2% | 8.4% | $1,541,788 | -6.1% | 5.1% |
| 2000 | 10.8% | $4,262,142 | 4.4% | 13.3% | 2 | $2,661,080 | 4.7% | 8.3% | $1,601,062 | 3.8% | 5.0% |
| 2001* | 10.7% | $4,420,465 | 3.7% | 12.9% | 2 | $2,668,938 | 0.3% | 7.8% | $1,751,527 | 9.4% | 5.1% |
| 2002 | 10.3% | $4,541,146 | 2.7% | 12.8% | 2 | $2,626,830 | -1.6% | 7.4% | $1,914,316 | 9.3% | 5.4% |
| Average Annual Increase | 0.5% | $97,411 | 7.8% | 0.6% | -- | $56,624 | 8.1% | 1.0% | $40,787 | 7.3% | 0.3% |

Note: "*" on year denotes recessionary quarter(s).
Source: Census Bureau, Bureau of Economic Analysis, MHPC Calculations.

**Chart 2**
**State and Local Tax Collections Under the Maine Taxpayer Bill of Rights**
**State Fiscal Years 1958 to 2021**




Source: Census Bureau, Bureau of Economic Analysis, MHPC

Table 2
Maine's Projected State and Local Tax Collections Under the Maine Taxpayer Bill of Rights (Effective FY 2008)
State Fiscal Years 2002 - 2021
Dollars in Thousands

| State Fiscal Year | Goal: National State and Local Tax Collections as a Percent of Personal Income (a) | State and Local: Total | State and Local: Year-over-Year Percent Growth | State and Local: Percent of Personal Income | State and Local: Rank | State (b): Total | State (b): Year-over-Year Percent Growth | State (b): Percent of Personal Income | Local: Total | Local: Year-over-Year Percent Growth | Local: Percent of Personal Income |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2003p | 10.3% | $4,733,224 | 4.2% | 12.7% | 2 | $2,697,275 | 2.7% | 7.2% | $2,035,949 | 6.4% | 5.5% |
| 2004p | 10.3% | $5,035,982 | 6.4% | 12.7% | 2 | $2,896,759 | 7.4% | 7.3% | $2,139,223 | 5.1% | 5.4% |
| 2005p | 10.3% | $5,335,404 | 5.9% | 12.9% | 2 | $3,071,161 | 6.0% | 7.4% | $2,264,243 | 5.8% | 5.5% |
| 2006p | 10.3% | $5,552,959 | 4.1% | 12.8% | 2 | $3,245,056 | 5.7% | 7.5% | $2,307,903 | 1.9% | 5.3% |
| 2007p | 10.3% | $5,739,537 | 3.4% | 12.7% | 2 | $3,360,282 | 3.6% | 7.4% | $2,379,256 | 3.1% | 5.3% |
| 2008 (TABOR) | 10.3% | $5,884,431 | 2.5% | 12.4% | 2 | $3,473,838 | 3.4% | 7.3% | $2,410,593 | 1.3% | 5.1% |
| 2009 (TABOR) | 10.3% | $6,038,690 | 2.6% | 12.2% | 2 | $3,590,515 | 3.4% | 7.3% | $2,448,174 | 1.6% | 4.9% |
| 2010 (TABOR) | 10.3% | $6,201,968 | 2.7% | 12.0% | 2 | $3,710,596 | 3.3% | 7.2% | $2,491,372 | 1.8% | 4.8% |
| 2011 (TABOR) | 10.3% | $6,375,873 | 2.8% | 11.8% | 4 | $3,833,837 | 3.3% | 7.1% | $2,542,036 | 2.0% | 4.7% |
| 2012 (TABOR) | 10.3% | $6,562,992 | 2.9% | 11.6% | 4 | $3,960,218 | 3.3% | 7.0% | $2,602,774 | 2.4% | 4.6% |
| 2013 (TABOR) | 10.3% | $6,760,998 | 3.0% | 11.5% | 5 | $4,089,609 | 3.3% | 6.9% | $2,671,389 | 2.6% | 4.5% |
| 2014 (TABOR) | 10.3% | $6,967,271 | 3.1% | 11.3% | 5 | $4,221,870 | 3.2% | 6.8% | $2,745,401 | 2.8% | 4.5% |
| 2015 (TABOR) | 10.3% | $7,185,527 | 3.1% | 11.1% | 6 | $4,356,901 | 3.2% | 6.8% | $2,828,626 | 3.0% | 4.4% |
| 2016 (TABOR) | 10.3% | $7,415,497 | 3.2% | 11.0% | 6 | $4,494,802 | 3.2% | 6.7% | $2,920,694 | 3.3% | 4.3% |
| 2017 (TABOR) | 10.3% | $7,653,133 | 3.2% | 10.9% | 12 | $4,635,299 | 3.1% | 6.6% | $3,017,834 | 3.3% | 4.3% |
| 2018 (TABOR) | 10.3% | $7,896,745 | 3.2% | 10.7% | 12 | $4,778,263 | 3.1% | 6.5% | $3,118,482 | 3.3% | 4.2% |
| 2019 (TABOR) | 10.3% | $8,146,167 | 3.2% | 10.6% | 13 | $4,923,550 | 3.0% | 6.4% | $3,222,618 | 3.3% | 4.2% |
| 2020 (TABOR) | 10.3% | $8,401,659 | 3.1% | 10.5% | 16 | $5,071,306 | 3.0% | 6.3% | $3,330,353 | 3.3% | 4.1% |
| 2021 (TABOR) | 10.3% | $8,663,787 | 3.1% | 10.3% | 19 | $5,221,486 | 3.0% | 6.2% | $3,442,301 | 3.4% | 4.1% |
| Average Annual Increase | -- | $206,872 | 3.5% | -1.1% | -- | $132,853 | 3.7% | -0.8% | $74,019 | 3.1% | -1.5% |

(a) Held constant.

(b) State Tax Collections for FY 2003, 2004 and 2005 are actual not projected.

Source: Census Bureau, Bureau of Economic Analysis, MHPC Calculations.

**<u>Maine's S&L tax collections as a percent of personal income are so far above the national average that Maine's rankings do not appreciably change under the Taxpayer Bill of Rights until after 2017</u>**. In fact, in FY 2002 there is an 8 percent gap between number 2 ranked Maine and the number 3 and 4 ranked states Wyoming and Hawaii. The percentage gap widens to a 17 percent gap from number 10 ranked state New Mexico, and a 26 percent gap from number 25 ranked Arizona.

As a result, Maine does not start significantly falling in the rankings until the tenth year under the Maine Taxpayer Bill of Rights. In FY 2017 Maine's ranking will fall modestly to number 12 from number 6. As Maine starts to close in on the national average, movement in the rankings become more significant. By FY 2021, Maine sheds another 7 places to rank at number 19.

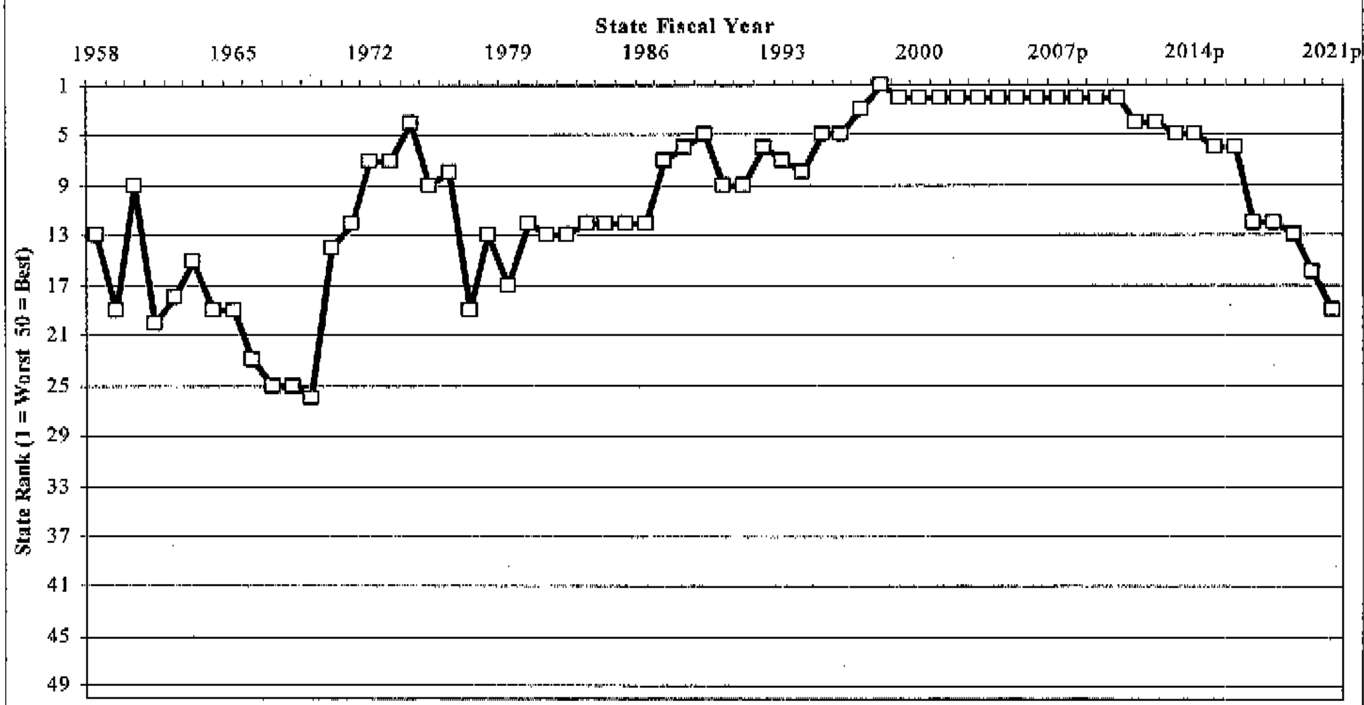
**The Maine Taxpayer Bill of Rights is Economic Development**

In his extensive review of the academic literature on taxation and economic development, Professor Michael Wasylenko, Professor of Economics, Senior Associate Dean for Academic Administration for the Maxwell School, CPR Senior Research Associate at Syracuse University concluded that:

> "This review of the literature suggests that taxes have a small, statistically significant effect on interregional location behavior. The suggested estimate of the interregional elasticity is -0.2. However, all elasticity estimates must be viewed in context of the state and its fiscal position vis-à-vis other states. The effect of a specific state's taxes depends not only on elasticity, but also on the extent to which the state's overall (state and local) tax levels are significantly different from the average of the states it competes against. ***A large deviation from the average tax level, multiplied by the tax elasticity, will yield a <u>large</u>, location, employment and investment effect.*** " [1] (emphasis added)

Maine's business and economic climate is seriously handicapped with S&L tax collections as a percent of personal income 24.2 percent above the national average in FY 2002—second only to New York's 27.2 percent above the national average. Following Wasylenko's conclusion, Maine is leaving a lot of economic development money on the table. The Maine Taxpayer Bill of Rights will put Maine on a path of sustained reduction in tax levels. The Maine Taxpayer Bill of Rights is an important, and effective, economic development tool. <u>For</u>

**Chart 3**
**Maine's State and Local Tax Rank Under the Maine Taxpayer Bill of Rights**
**State Fiscal Years 1958 to 2021**




Source: Census Bureau, Bureau of Economic Analysis, MHPC Calculations.

**Maine taxpayers this not only means lower tax bills, but also higher incomes and more jobs.**

To put Maine's high level of taxation in perspective, Chart 4 and Chart 5 plot the deviation of the 50 states from the national average. Chart 4 shows the distribution of states in FY 2002 with the national average at 10.3 percent—states to the right are above the national average while states to the left are below the national average. New York has the largest deviation at 2.8 percentage points above the national average (27.2 percent) while Maine is close behind at 2.5 percentage points above the national average (24.2 percent) percent. On the flip side, Tennessee has the largest deviation at 2 percentage points below the national average (-19.4 percent) with Maine's neighbor, New Hampshire, close behind at 1.9 percentage points below the national average (-18.4 percent).

However, as shown in Chart 5, the national average of S&L tax collections as a percent of income is a moving target. Chart 5 compares the distribution of states around the national average in FY 1958 and FY 2002. Since FY 1958, the national average increased by 22.6 percent to 10.3 percent from 8.4 percent. Although many today would view a state like New Hampshire's level of taxation as extremely low at 8.4 percent, in FY 1958, New Hampshire would have merely been at the national average. In FY 1958, the state with the lowest level of taxation was Delaware at 6.1 percent—New Hampshire was at 7.9 percent. On the other hand, in FY 1958, Vermont had the highest level of taxation at 11.7 percent. In FY 1958, Maine was much closer, though still higher than the national average, at 9.6 percent.

Finally, Chart 5 may provide an answer for why the academic literature, as reviewed by Dr. Wasylenko, has such a tough time finding large tax effects on the economy—state tax competition. In FY 1958, there were 26 states within a 1 percentage point deviation (plus or minus) from the national average. In FY 2002, there were 38 states within a 1 percentage point deviation (plus or minus) from the national average—an increase of 46 percent. Such a large clustering of states is evidence that policymakers are aware that taxes matter to economic development. And that being a high tax outlier state, such as Maine, is a serious concern.

### Counties and Municipalities under the Maine Taxpayer Bill of Rights

Table 4 shows the growth allowances by county under the Maine Taxpayer Bill of Rights. Since counties are primarily funded by municipalities, the county summaries shown are the summation of municipal growth allowances. Due to space constraints, municipal summaries are not included in the printed report. However, they are posted on the Maine Heritage Policy Center's website: www.mainepolicy.org.

Table 4 shows that Maine's local governments will cumulatively have a nominal growth allowance of nearly $63 million per year (2.7 percent average growth rate) between FY 2008 and FY 2021. This growth allowance breaks down to nearly $39 million per year (2.8 percent average growth rate) for education and over $24 million (2.5 percent average growth rate) for all other local spending.

However, at the municipal level there is a much greater variance of growth allowances ranging from the 195 municipalities that will see an average annual growth allowance greater than 3 percent, to the 14 municipalities that will have an average annual growth allowance less than -3 percent. Overall, 440 municipalities will have a positive average annual growth allowance (representing 96.3 percent of the population in 2006), and 48 municipalities will have a negative average annual growth allowance (representing 3.7 percent of the population in 2006).

The municipal average annual growth allowances are shown geographically in Map 1. Those municipalities with the highest positive annual growth allowances (greater than 3 percent) are predominantly located in the southwestern part of the state (south and west of Augusta). On the other hand, those municipalities with most negative annual growth allowance (below -3 percent) are predominantly located in the northeastern part of the state (north and east of Augusta).

Naturally, many of the differences in growth allowances result from Maine's extreme demographic challenges—especially the internal population migration away from the economically struggling north to the more economically vibrant south, and the state-wide drop in school enrollments. The demographic shifts highlight the need for the Maine Taxpayer Bill of Rights as it will force local governments to reexamine and reduce their current level of spending and taxation. In the long run, the lower level of taxation will bring businesses and people back. In contrast, the status quo will only lead to the creation of ghost towns—for example, Centerville deorganized in 2004.

### LD 1 versus the Maine Taxpayer Bill of Rights

From LD 1:

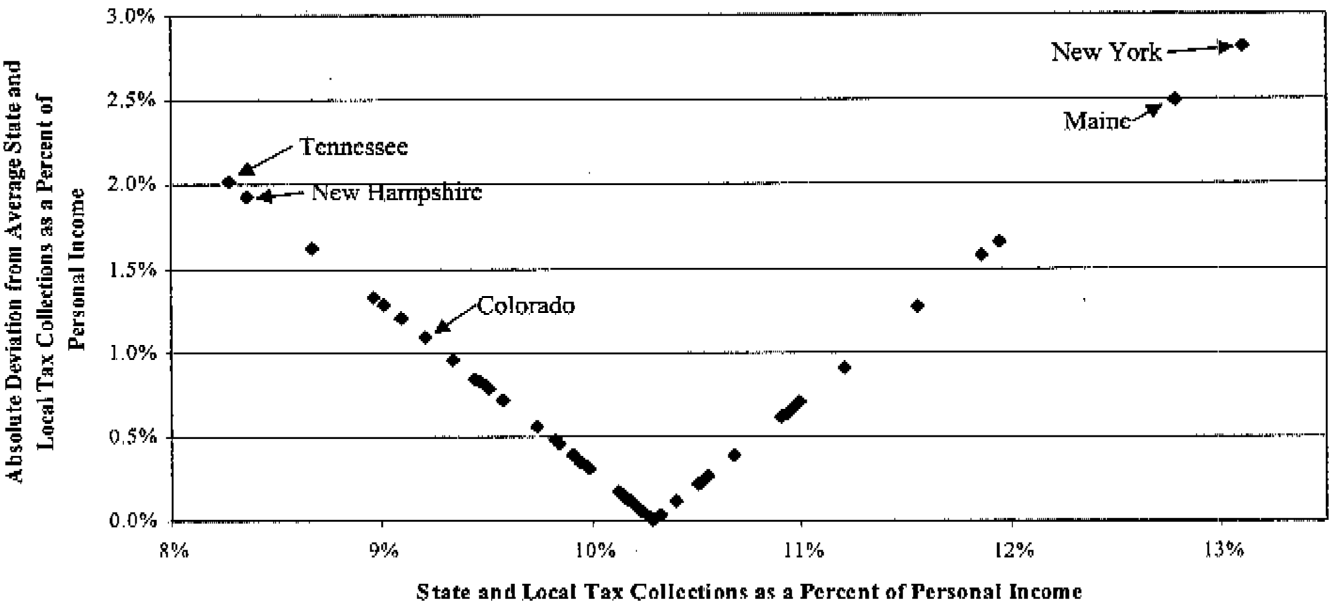
> *"It is the goal and policy of the State that by 2015 the State's total state and local tax burden be ranked in the middle 1/3 of all states, as determined by the United States Census Bureau's most recent tax burden analysis, adjusted by the assessor to reflect the State's unique expenditure tax relief programs."* [3]

This analysis casts doubt that LD 1 will be able to fulfill its statutory duty of lowering Maine's state and local tax burden to the "middle 1/3 of all states" by 2015 for several reasons:

1. The level of taxation to be considered "in the middle 1/3 of all states" in FY 2002 began at 10.3 percent—

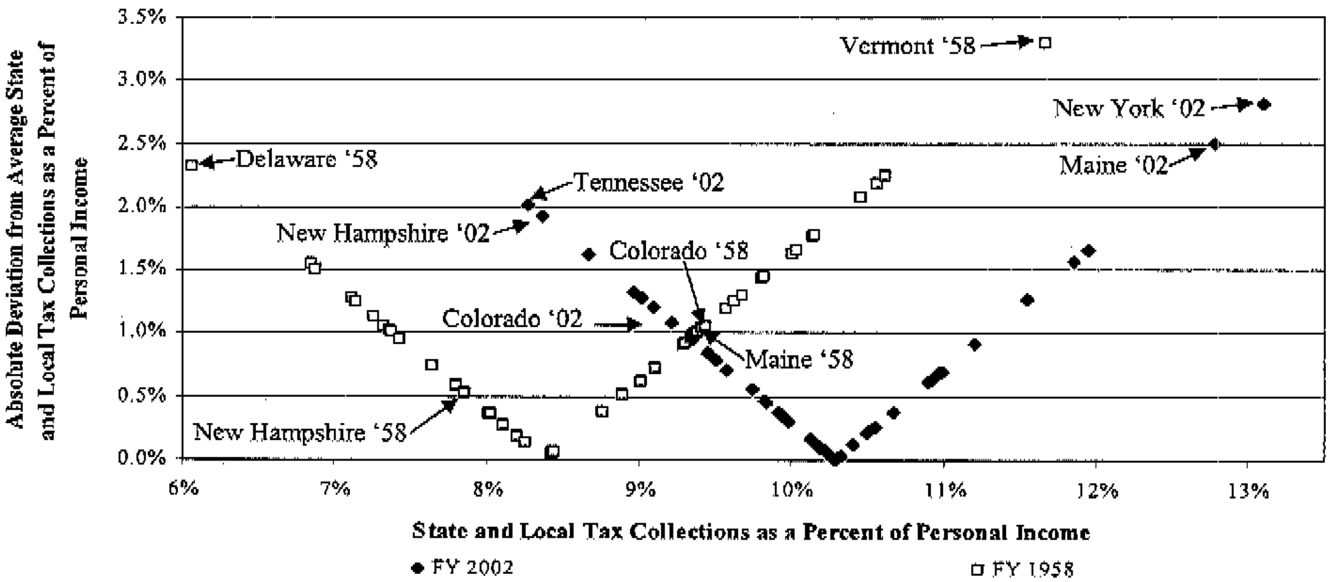
*Continued on page 13.*

**Chart 4**
**Absolute Deviation from Average and Total State and Local Tax Collections as Percent of Personal Income**
**State Fiscal Year 2002**




Source: Census Bureau, Bureau of Economic Analysis, MHPC

**Chart 5**
**Absolute Deviation from Average and Total State and Local Tax Collections as Percent of Personal Income**
**State Fiscal Years 1958 and 2002**




Source: Census Bureau, Bureau of Economic Analysis, MHPC

**Map 1**
**The Maine Taxpayer Bill of Rights Projected Average Growth Allowances by Municipality State Fiscal Years 2008 to 2021**

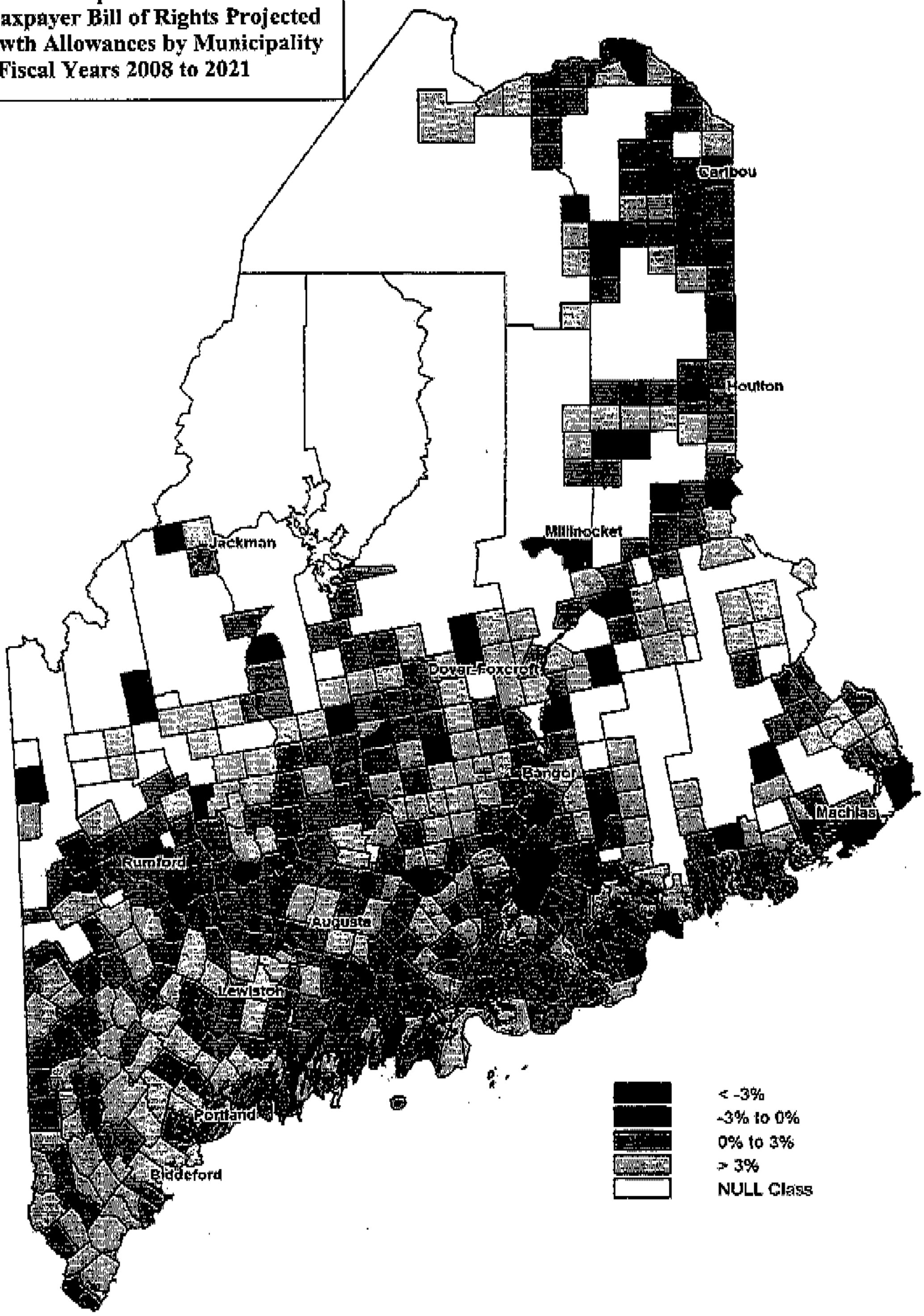


Table 4
The Taxpayer Bill of Rights Growth Allowances by County
State Fiscal Years 2008 to 2021
Dollars in Millions

| County | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Average Increase |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ANDROSCOGGIN | Change in Total Taxes Paid: | $2,245 | $2,516 | $2,757 | $3,125 | $3,594 | $3,982 | $4,297 | $4,704 | $5,096 | $5,325 | $5,483 | $5,648 | $5,822 | $6,023 | $4,330 |
| | Change in Taxes Paid for "Education": | $478 | $735 | $963 | $1,320 | $1,780 | $2,160 | $2,470 | $2,878 | $3,271 | $3,504 | $3,668 | $3,840 | $4,021 | $4,210 | $2,521 |
| | Change in Taxes Paid for "Other": | $1,767 | $1,780 | $1,794 | $1,804 | $1,814 | $1,822 | $1,826 | $1,825 | $1,824 | $1,821 | $1,815 | $1,808 | $1,801 | $1,813 | $1,808 |
| | Percent Change in Total Taxes Paid: | 1.6% | 1.8% | 1.9% | 2.2% | 2.4% | 2.6% | 2.8% | 2.9% | 3.1% | 3.1% | 3.1% | 3.1% | 3.1% | 3.1% | 2.6% |
| | Percent Change in Taxes Paid for "Education": | 0.7% | 1.1% | 1.4% | 1.9% | 2.5% | 3.0% | 3.3% | 3.8% | 4.1% | 4.2% | 4.2% | 4.3% | 4.3% | 4.3% | 3.1% |
| | Percent Change in Taxes Paid for "Other": | 2.5% | 2.5% | 2.4% | 2.4% | 2.3% | 2.3% | 2.2% | 2.2% | 2.1% | 2.1% | 2.0% | 2.0% | 1.9% | 1.9% | 2.2% |
| AROOSTOOK | Change in Total Taxes Paid: | -$236 | -$150 | $35 | $337 | $701 | $966 | $1,035 | $1,291 | $1,538 | $1,603 | $1,641 | $1,748 | $1,819 | $1,909 | $1,017 |
| | Change in Taxes Paid for "Education": | -$387 | -$297 | -$109 | $197 | $565 | $835 | $899 | $1,095 | $1,347 | $1,419 | $1,495 | $1,575 | $1,659 | $1,747 | $860 |
| | Change in Taxes Paid for "Other": | $150 | $147 | $144 | $140 | $136 | $130 | $136 | $196 | $192 | $184 | $175 | $165 | $155 | $158 | $158 |
| | Percent Change in Total Taxes Paid: | -0.4% | -0.2% | 0.1% | 0.5% | 1.1% | 1.5% | 1.6% | 1.9% | 2.2% | 2.3% | 2.3% | 2.4% | 2.4% | 2.5% | 1.4% |
| | Percent Change in Taxes Paid for "Education": | -1.0% | -0.8% | -0.3% | 0.5% | 1.5% | 2.2% | 2.4% | 2.8% | 3.4% | 3.4% | 3.5% | 3.6% | 3.6% | 3.7% | 2.0% |
| | Percent Change in Taxes Paid for "Other": | 0.5% | 0.5% | 0.5% | 0.5% | 0.5% | 0.5% | 0.5% | 0.7% | 0.7% | 0.6% | 0.6% | 0.6% | 0.5% | 0.5% | 0.6% |
| CUMBERLAND | Change in Total Taxes Paid: | $10,213 | $11,985 | $12,925 | $14,762 | $17,138 | $18,803 | $20,656 | $22,751 | $24,678 | $26,326 | $27,246 | $28,164 | $29,129 | $30,231 | $21,072 |
| | Change in Taxes Paid for "Education": | $3,087 | $4,699 | $5,465 | $7,141 | $9,360 | $10,876 | $12,600 | $14,597 | $16,432 | $18,006 | $18,874 | $19,788 | $20,748 | $21,758 | $13,102 |
| | Change in Taxes Paid for "Other": | $7,126 | $7,286 | $7,461 | $7,621 | $7,778 | $7,927 | $8,056 | $8,155 | $8,246 | $8,320 | $8,371 | $8,376 | $8,381 | $8,473 | $7,970 |
| | Percent Change in Total Taxes Paid: | 1.9% | 2.1% | 2.3% | 2.5% | 2.9% | 3.0% | 3.2% | 3.5% | 3.6% | 3.7% | 3.7% | 3.7% | 3.7% | 3.7% | 3.1% |
| | Percent Change in Taxes Paid for "Education": | 0.9% | 1.4% | 1.6% | 2.1% | 2.7% | 3.0% | 3.4% | 3.8% | 4.2% | 4.4% | 4.4% | 4.4% | 4.4% | 4.4% | 3.2% |
| | Percent Change in Taxes Paid for "Other": | 3.2% | 3.2% | 3.2% | 3.1% | 3.1% | 3.1% | 3.0% | 3.0% | 2.9% | 2.9% | 2.8% | 2.7% | 2.6% | 2.6% | 2.9% |
| FRANKLIN | Change in Total Taxes Paid: | $334 | $522 | $500 | $665 | $820 | $938 | $1,018 | $1,061 | $1,238 | $1,258 | $1,298 | $1,337 | $1,379 | $1,429 | $985 |
| | Change in Taxes Paid for "Education": | -$286 | -$110 | -$143 | $15 | $163 | $275 | $350 | $389 | $561 | $577 | $614 | $653 | $692 | $733 | $320 |
| | Change in Taxes Paid for "Other": | $620 | $632 | $642 | $650 | $657 | $663 | $668 | $673 | $677 | $681 | $683 | $685 | $687 | $696 | $665 |
| | Percent Change in Total Taxes Paid: | 0.7% | 1.1% | 1.0% | 1.3% | 1.6% | 1.8% | 2.0% | 2.0% | 2.3% | 2.3% | 2.3% | 2.3% | 2.3% | 2.4% | 1.8% |
| | Percent Change in Taxes Paid for "Education": | -1.1% | -0.4% | -0.5% | 0.1% | 0.6% | 1.0% | 1.3% | 1.4% | 2.0% | 2.1% | 2.1% | 2.2% | 2.3% | 2.4% | 1.1% |
| | Percent Change in Taxes Paid for "Other": | 2.9% | 2.9% | 2.8% | 2.8% | 2.7% | 2.7% | 2.6% | 2.6% | 2.5% | 2.5% | 2.4% | 2.4% | 2.3% | 2.3% | 2.6% |

Table 4 Continued

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Table 4 Continued

| | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Average Increase |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| HANCOCK | Change in Total Taxes Paid: | $765 | $660 | $1,715 | $1,827 | $2,378 | $2,772 | $2,149 | $3,136 | $3,433 | $3,573 | $3,687 | $3,805 | $3,929 | $4,085 | $2,708 |
| | Change in Taxes Paid for "Education": | -$355 | -$471 | $571 | $675 | $1,217 | $1,609 | $983 | $1,971 | $2,268 | $2,410 | $2,527 | $2,650 | $2,780 | $2,916 | $1,554 |
| | Change in Taxes Paid for "Other": | $1,120 | $1,132 | $1,143 | $1,153 | $1,161 | $1,164 | $1,166 | $1,165 | $1,165 | $1,163 | $1,160 | $1,155 | $1,150 | $1,169 | $1,155 |
| | Percent Change in Total Taxes Paid: | 0.7% | 0.6% | 1.6% | 1.6% | 2.1% | 2.4% | 1.8% | 2.6% | 2.8% | 2.8% | 2.8% | 2.8% | 2.9% | 2.9% | 2.2% |
| | Percent Change in Taxes Paid for "Education": | -0.5% | -0.7% | 0.9% | 1.0% | 1.8% | 2.4% | 1.4% | 2.8% | 3.2% | 3.2% | 3.3% | 3.4% | 3.4% | 3.5% | 2.1% |
| | Percent Change in Taxes Paid for "Other": | 2.7% | 2.6% | 2.6% | 2.5% | 2.5% | 2.4% | 2.4% | 2.3% | 2.3% | 2.2% | 2.2% | 2.1% | 2.1% | 2.1% | 2.4% |
| KENNEBEC | Change in Total Taxes Paid: | $781 | $1,057 | $1,329 | $1,710 | $2,292 | $2,684 | $3,017 | $3,496 | $3,971 | $4,184 | $4,306 | $4,427 | $4,553 | $4,710 | $3,037 |
| | Change in Taxes Paid for "Education": | -$169 | $103 | $372 | $750 | $1,329 | $1,719 | $2,051 | $2,529 | $3,008 | $3,227 | $3,359 | $3,496 | $3,640 | $3,791 | $2,086 |
| | Change in Taxes Paid for "Other": | $950 | $954 | $958 | $960 | $963 | $965 | $967 | $967 | $963 | $957 | $948 | $930 | $913 | $919 | $951 |
| | Percent Change in Total Taxes Paid: | 0.6% | 0.8% | 1.0% | 1.3% | 1.7% | 1.9% | 2.1% | 2.4% | 2.7% | 2.7% | 2.7% | 2.7% | 2.7% | 2.8% | 2.0% |
| | Percent Change in Taxes Paid for "Education": | -0.2% | 0.1% | 0.5% | 0.9% | 1.6% | 2.0% | 2.4% | 2.9% | 3.3% | 3.4% | 3.5% | 3.5% | 3.5% | 3.5% | 2.2% |
| | Percent Change in Taxes Paid for "Other": | 1.9% | 1.8% | 1.8% | 1.8% | 1.8% | 1.7% | 1.7% | 1.7% | 1.6% | 1.6% | 1.6% | 1.5% | 1.5% | 1.5% | 1.7% |
| KNOX | Change in Total Taxes Paid: | $1,096 | $1,386 | $1,582 | $1,753 | $2,116 | $2,463 | $2,702 | $3,015 | $3,395 | $3,534 | $3,671 | $3,814 | $3,966 | $4,142 | $2,760 |
| | Change in Taxes Paid for "Education": | $158 | $430 | $606 | $759 | $1,105 | $1,436 | $1,660 | $1,960 | $2,327 | $2,455 | $2,584 | $2,719 | $2,862 | $3,013 | $1,720 |
| | Change in Taxes Paid for "Other": | $938 | $956 | $976 | $994 | $1,011 | $1,027 | $1,042 | $1,055 | $1,068 | $1,078 | $1,087 | $1,095 | $1,104 | $1,129 | $1,040 |
| | Percent Change in Total Taxes Paid: | 1.4% | 1.8% | 2.0% | 2.1% | 2.5% | 2.9% | 3.1% | 3.3% | 3.6% | 3.6% | 3.6% | 3.6% | 3.7% | 3.7% | 2.9% |
| | Percent Change in Taxes Paid for "Education": | 0.3% | 0.9% | 1.2% | 1.5% | 2.2% | 2.8% | 3.2% | 3.6% | 4.2% | 4.2% | 4.2% | 4.3% | 4.3% | 4.4% | 3.0% |
| | Percent Change in Taxes Paid for "Other": | 3.1% | 3.1% | 3.1% | 3.0% | 3.0% | 2.9% | 2.9% | 2.9% | 2.8% | 2.8% | 2.7% | 2.7% | 2.6% | 2.6% | 2.9% |
| LINCOLN | Change in Total Taxes Paid: | $464 | $595 | $731 | $949 | $1,196 | $1,517 | $1,524 | $1,717 | $2,041 | $2,119 | $2,186 | $2,255 | $2,324 | $2,399 | $1,573 |
| | Change in Taxes Paid for "Education": | -$167 | -$47 | $75 | $283 | $519 | $830 | $828 | $1,012 | $1,327 | $1,398 | $1,459 | $1,522 | $1,589 | $1,659 | $878 |
| | Change in Taxes Paid for "Other": | $630 | $642 | $655 | $667 | $677 | $687 | $696 | $705 | $714 | $721 | $727 | $732 | $735 | $739 | $695 |
| | Percent Change in Total Taxes Paid: | 0.7% | 0.9% | 1.1% | 1.5% | 1.8% | 2.2% | 2.2% | 2.4% | 2.8% | 2.8% | 2.9% | 2.9% | 2.9% | 2.9% | 2.1% |
| | Percent Change in Taxes Paid for "Education": | -0.4% | -0.1% | 0.2% | 0.7% | 1.2% | 1.9% | 1.9% | 2.3% | 2.9% | 3.0% | 3.0% | 3.1% | 3.1% | 3.1% | 1.9% |
| | Percent Change in Taxes Paid for "Other": | 2.9% | 2.9% | 2.9% | 2.8% | 2.8% | 2.8% | 2.7% | 2.7% | 2.7% | 2.6% | 2.6% | 2.5% | 2.5% | 2.4% | 2.7% |

Table 4 Continued

### Table 4 Continued

| | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Average Increase |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| OXFORD | Change in Total Taxes Paid: | $698 | $905 | $1,007 | $1,247 | $1,473 | $1,783 | $1,901 | $1,945 | $2,343 | $2,441 | $2,510 | $2,580 | $2,655 | $2,758 | $1,875 |
| | Change in Taxes Paid for "Education": | $118 | $327 | $429 | $672 | $901 | $1,217 | $1,340 | $1,393 | $1,801 | $1,911 | $1,992 | $2,077 | $2,165 | $2,258 | $1,329 |
| | Change in Taxes Paid for "Other": | $579 | $578 | $577 | $575 | $571 | $567 | $561 | $552 | $542 | $530 | $518 | $504 | $490 | $500 | $546 |
| | Percent Change in Total Taxes Paid: | 0.9% | 1.2% | 1.3% | 1.6% | 1.9% | 2.2% | 2.3% | 2.3% | 2.7% | 2.8% | 2.8% | 2.8% | 2.8% | 2.8% | 2.2% |
| | Percent Change in Taxes Paid for "Education": | 0.3% | 0.7% | 0.9% | 1.5% | 1.9% | 2.5% | 2.7% | 2.8% | 3.5% | 3.6% | 3.6% | 3.6% | 3.6% | 3.7% | 2.5% |
| | Percent Change in Taxes Paid for "Other": | 1.9% | 1.9% | 1.9% | 1.8% | 1.8% | 1.7% | 1.7% | 1.6% | 1.6% | 1.5% | 1.5% | 1.4% | 1.3% | 1.3% | 1.6% |
| PENOBSCOT | Change in Total Taxes Paid: | $1,363 | $1,755 | $2,065 | $2,537 | $3,136 | $3,603 | $3,994 | $4,561 | $5,080 | $5,447 | $5,774 | $5,985 | $6,206 | $6,462 | $4,141 |
| | Change in Taxes Paid for "Education": | -$51 | $323 | $611 | $1,068 | $1,655 | $2,113 | $2,498 | $3,061 | $3,576 | $3,942 | $4,151 | $4,367 | $4,591 | $4,824 | $2,623 |
| | Change in Taxes Paid for "Other": | $1,414 | $1,433 | $1,454 | $1,469 | $1,481 | $1,490 | $1,496 | $1,500 | $1,504 | $1,504 | $1,623 | $1,619 | $1,615 | $1,638 | $1,517 |
| | Percent Change in Total Taxes Paid: | 0.8% | 1.1% | 1.2% | 1.5% | 1.8% | 2.1% | 2.3% | 2.5% | 2.7% | 2.9% | 2.9% | 3.0% | 3.0% | 3.0% | 2.2% |
| | Percent Change in Taxes Paid for "Education": | -0.1% | 0.3% | 0.6% | 1.1% | 1.7% | 2.1% | 2.5% | 3.0% | 3.4% | 3.6% | 3.6% | 3.7% | 3.8% | 3.8% | 2.4% |
| | Percent Change in Taxes Paid for "Other": | 2.1% | 2.1% | 2.1% | 2.0% | 2.0% | 2.0% | 2.0% | 1.9% | 1.9% | 1.9% | 2.0% | 1.9% | 1.9% | 1.9% | 2.0% |
| PISCATAQUIS | Change in Total Taxes Paid: | $39 | $80 | $180 | $214 | $297 | $362 | $417 | $440 | $508 | $534 | $559 | $586 | $615 | $650 | $391 |
| | Change in Taxes Paid for "Education": | -$145 | -$106 | -$9 | $24 | $106 | $171 | $225 | $248 | $316 | $342 | $368 | $395 | $425 | $457 | $201 |
| | Change in Taxes Paid for "Other": | $184 | $186 | $188 | $190 | $191 | $192 | $192 | $192 | $192 | $192 | $192 | $191 | $190 | $193 | $190 |
| | Percent Change in Total Taxes Paid: | 0.2% | 0.4% | 1.0% | 1.2% | 1.6% | 1.9% | 2.2% | 2.2% | 2.5% | 2.6% | 2.7% | 2.7% | 2.8% | 2.8% | 1.9% |
| | Percent Change in Taxes Paid for "Education": | -1.5% | -1.1% | -0.1% | 0.3% | 1.1% | 1.7% | 2.3% | 2.4% | 3.0% | 3.2% | 3.3% | 3.5% | 3.6% | 3.7% | 1.8% |
| | Percent Change in Taxes Paid for "Other": | 2.3% | 2.2% | 2.2% | 2.2% | 2.2% | 2.1% | 2.1% | 2.0% | 2.0% | 2.0% | 1.9% | 1.9% | 1.8% | 1.8% | 2.0% |
| SAGADAHOC | Change in Total Taxes Paid: | $680 | $839 | $938 | $1,094 | $1,324 | $1,462 | $1,591 | $1,727 | $1,914 | $1,970 | $2,009 | $2,049 | $2,091 | $2,159 | $1,560 |
| | Change in Taxes Paid for "Education": | -$69 | $88 | $189 | $352 | $587 | $735 | $874 | $1,024 | $1,225 | $1,298 | $1,354 | $1,414 | $1,476 | $1,542 | $864 |
| | Change in Taxes Paid for "Other": | $749 | $751 | $748 | $743 | $736 | $727 | $716 | $703 | $689 | $672 | $654 | $635 | $615 | $618 | $697 |
| | Percent Change in Total Taxes Paid: | 1.1% | 1.3% | 1.5% | 1.7% | 2.0% | 2.2% | 2.3% | 2.5% | 2.7% | 2.7% | 2.7% | 2.6% | 2.6% | 2.6% | 2.2% |
| | Percent Change in Taxes Paid for "Education": | -0.2% | 0.3% | 0.6% | 1.0% | 1.7% | 2.1% | 2.4% | 2.8% | 3.3% | 3.3% | 3.4% | 3.4% | 3.4% | 3.5% | 2.2% |
| | Percent Change in Taxes Paid for "Other": | 2.7% | 2.6% | 2.5% | 2.5% | 2.4% | 2.3% | 2.2% | 2.1% | 2.0% | 1.9% | 1.9% | 1.8% | 1.7% | 1.7% | 2.2% |

Table 4 Continued

Table 4 Continued

| | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Average Increase |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| SOMERSET | Change in Total Taxes Paid: | $576 | $780 | $889 | $1,113 | $1,452 | $1,647 | $1,807 | $2,148 | $2,448 | $2,539 | $2,640 | $2,745 | $2,855 | $2,986 | $1,902 |
| | Change in Taxes Paid for "Education": | $171 | $372 | $481 | $703 | $1,042 | $1,236 | $1.397 | $1,739 | $2,039 | $2,131 | $2,233 | $2,340 | $2,453 | $2,571 | $1,493 |
| | Change in Taxes Paid for "Other": | $406 | $407 | $409 | $410 | $410 | $410 | $410 | $409 | $409 | $408 | $407 | $405 | $402 | $415 | $408 |
| | Percent Change in Total Taxes Paid: | 0.9% | 1.2% | 1.4% | 1.7% | 2.2% | 2.5% | 2.6% | 3.1% | 3.4% | 3.4% | 3.4% | 3.4% | 3.5% | 3.5% | 2.6% |
| | Percent Change in Taxes Paid for "Education": | 0.4% | 0.9% | 1.2% | 1.7% | 2.5% | 2.9% | 3.2% | 3.9% | 4.4% | 4.4% | 4.4% | 4.4% | 4.4% | 4.4% | 3.1% |
| | Percent Change in Taxes Paid for "Other": | 1.8% | 1.8% | 1.8% | 1.7% | 1.7% | 1.7% | 1.7% | 1.6% | 1.6% | 1.6% | 1.5% | 1.5% | 1.5% | 1.5% | 1.6% |
| WALDO | Change in Total Taxes Paid: | $475 | $702 | $847 | $1,034 | $1,278 | $1,439 | $1,559 | $1,741 | $1,934 | $2,027 | $2,092 | $2,155 | $2,221 | $2,298 | $1,557 |
| | Change in Taxes Paid for "Education": | -$205 | $6 | $134 | $304 | $533 | $679 | $785 | $956 | $1,138 | $1,224 | $1,284 | $1,347 | $1,413 | $1,484 | $791 |
| | Change in Taxes Paid for "Other": | $680 | $696 | $714 | $730 | $746 | $760 | $773 | $785 | $796 | $804 | $808 | $809 | $807 | $814 | $766 |
| | Percent Change in Total Taxes Paid: | 0.9% | 1.4% | 1.6% | 1.9% | 2.4% | 2.6% | 2.7% | 3.0% | 3.2% | 3.3% | 3.3% | 3.2% | 3.2% | 3.2% | 2.6% |
| | Percent Change in Taxes Paid for "Education": | -0.6% | 0.0% | 0.4% | 1.0% | 1.7% | 2.1% | 2.4% | 2.8% | 3.3% | 3.4% | 3.5% | 3.5% | 3.6% | 3.6% | 2.2% |
| | Percent Change in Taxes Paid for "Other": | 3.5% | 3.4% | 3.4% | 3.4% | 3.3% | 3.3% | 3.2% | 3.2% | 3.1% | 3.1% | 3.0% | 2.9% | 2.8% | 2.8% | 3.2% |
| WASHINGTON | Change in Total Taxes Paid: | -$260 | -$166 | -$50 | $159 | $306 | $539 | $652 | $772 | $912 | $1,047 | $1,136 | $1,222 | $1,308 | $1,400 | $641 |
| | Change in Taxes Paid for "Education": | -$424 | -$332 | -$218 | -$11 | $135 | $367 | $480 | $600 | $739 | $875 | $964 | $1,052 | $1,140 | $1,228 | $471 |
| | Change in Taxes Paid for "Other": | $164 | $166 | $168 | $170 | $171 | $172 | $173 | $173 | $173 | $172 | $171 | $170 | $169 | $172 | $170 |
| | Percent Change in Total Taxes Paid: | -0.7% | -0.5% | -0.1% | 0.4% | 0.8% | 1.5% | 1.7% | 2.0% | 2.4% | 2.6% | 2.8% | 2.9% | 3.0% | 3.2% | 1.6% |
| | Percent Change in Taxes Paid for "Education": | -1.8% | -1.4% | -1.0% | 0.0% | 0.6% | 1.6% | 2.1% | 2.6% | 3.1% | 3.5% | 3.8% | 4.0% | 4.1% | 4.3% | 1.8% |
| | Percent Change in Taxes Paid for "Other": | 1.2% | 1.2% | 1.2% | 1.2% | 1.2% | 1.2% | 1.2% | 1.2% | 1.2% | 1.1% | 1.1% | 1.1% | 1.1% | 1.1% | 1.2% |
| YORK | Change in Total Taxes Paid: | $6,735 | $7,673 | $8,345 | $9,454 | $10,828 | $11,896 | $13,009 | $14,455 | $15,759 | $16,564 | $17,161 | $17,767 | $18,398 | $19,121 | $13,369 |
| | Change in Taxes Paid for "Education": | $2,117 | $2,921 | $3,453 | $4,433 | $5,685 | $6,639 | $7,644 | $8.989 | $10.191 | $10,906 | $11,427 | $11,973 | $12,549 | $13,153 | $8,006 |
| | Change in Taxes Paid for "Other": | $4.618 | $4,752 | $4,892 | $5,021 | $5.143 | $5,256 | $5,365 | $5,465 | $5,569 | $5,658 | $5,735 | $5,794 | $5,850 | $5,968 | $5,363 |
| | Percent Change in Total Taxes Paid: | 2.1% | 2.3% | 2.5% | 2.7% | 3.1% | 3.3% | 3.5% | 3.7% | 3.9% | 3.9% | 3.9% | 3.9% | 3.9% | 3.9% | 3.3% |
| | Percent Change in Taxes Paid for "Education": | 1.1% | 1.5% | 1.7% | 2.2% | 2.7% | 3.1% | 3.5% | 3.9% | 4.3% | 4.4% | 4.4% | 4.4% | 4.4% | 4.5% | 3.3% |
| | Percent Change in Taxes Paid for "Other": | 3.7% | 3.7% | 3.6% | 3.6% | 3.6% | 3.5% | 3.5% | 3.4% | 3.4% | 3.3% | 3.2% | 3.2% | 3.1% | 3.1% | 3.4% |

Table 4 Continued

Table 4 Continued

| | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Average Increase |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| STATE TOTALS | Change in Total Taxes Paid: | $25,967 | $31,140 | $35,795 | $41,981 | $50,328 | $56,856 | $61,327 | $68,961 | $76,289 | $80,491 | $83,398 | $86,288 | $89,271 | $92,762 | $62,918 |
| | Change in Taxes Paid for "Education": | $3,872 | $8,643 | $12,871 | $18,686 | $26,682 | $32,896 | $37,084 | $44,441 | $51,566 | $55,626 | $58,352 | $61.208 | $64,202 | $67,346 | $38,820 |
| | Change in Taxes Paid for "Other": | $22,095 | $22,497 | $22,924 | $23,295 | $23,646 | $23,960 | $24,243 | $24,521 | $24,723 | $24,866 | $25,075 | $25,073 | $25,064 | $25,412 | $24,099 |
| | Percent Change in Total Taxes Paid: | 1.3% | 1.6% | 1.8% | 2.0% | 2.4% | 2.6% | 2.8% | 3.0% | 3.3% | 3.3% | 3.3% | 3.3% | 3.3% | 3.4% | 2.7% |
| | Percent Change in Taxes Paid for "Education": | 0.3% | 0.7% | 1.1% | 1.6% | 2.2% | 2.6% | 2.9% | 3.4% | 3.8% | 4.0% | 4.0% | 4.0% | 4.1% | 4.1% | 2.8% |
| | Percent Change in Taxes Paid for "Other": | 2.8% | 2.7% | 2.7% | 2.7% | 2.7% | 2.6% | 2.6% | 2.5% | 2.5% | 2.5% | 2.4% | 2.4% | 2.3% | 2.3% | 2.5% |

Source: State Planning Office, Revenue Forecasting Committee, Maine Revenue Service: Property Tax Division, Department of Education, MHPC calculations.

closely corresponding to the national average. Even under the Maine Taxpayer Bill of Rights it would take until FY 2021 to reach that level of taxation.

2. According to a Maine Municipal Association survey, in FY 2005 the growth factor in LD 1 was estimated to be more than twice that of the Maine Taxpayer Bill of Rights—see Table 5 [4]. As a result, it could take LD 1 twice as long, at the local level, to achieve the same results as the Maine Taxpayer Bill of Rights.

3. The growth limits in LD 1 can be overridden with a simple majority vote of lawmakers as opposed to the two-thirds legislative requirement and majority of voters under the Maine Taxpayer Bill of Rights.

Under LD 1, it looks likely that the State of Maine will end up breaking its own law. The enactment of the Maine Taxpayer Bill of Rights is the only means that the state can come reasonably close to achieving the statutory goal of reducing Maine's tax burden close to the national average by FY 2015.

Table 5
Comparison of Growth Factors under LD 1 and The Maine Taxpayer Bill of Rights
State Fiscal Year 2005

| Municipality | LD 1 Growth Factor | Taxpayer Bill of Rights Growth Factor | Municipality | LD 1 Growth Factor | Taxpayer Bill of Rights Growth Factor | Municipality | LD 1 Growth Factor | Taxpayer Bill of Rights Growth Factor |
|---|---|---|---|---|---|---|---|---|
| Acton | 3.37 | 0.79 | Hodgdon | 5.22 | 0.72 | Richmond | 5.58 | 1.87 |
| Appleton | 6.88 | 3.49 | Holden | 5.94 | 3.36 | Rockland | 5.6 | 3.02 |
| Arrowsic | 4.3 | 1.72 | Hollis | 6.02 | 3.44 | Rumford | 2.98 | 0.4 |
| Augusta | 5.63 | 0.54 | Hope | 7.36 | 4.78 | Sanford | 4.92 | 2.34 |
| Aurora | 2.58 | 0 | Islesboro | 3.96 | 1.38 | Scarborough | 5.31 | 2.73 |
| Bangor | 5.3 | 2.72 | Jay | 4.83 | 1.73 | Sebago | 6.18 | 1.84 |
| Bar Harbor | 5.8 | 3.22 | Kennebunk | 4.43 | 1.85 | Sebec | 4.71 | -0.23 |
| Bath | 3.91 | 1.33 | Kennebunkport | 4.97 | 2.39 | Shirley | 2.58 | 0 |
| Beaver Cove | 4.22 | 0.6 | Kittery | 4.24 | 1.66 | South Berwick | 4.21 | 1.63 |
| Biddeford | 5.13 | 2.55 | Lamoine | 3.68 | 1.1 | South Portland | 5.49 | 2.53 |
| Bowdoinham | 6.88 | 1.25 | Lebanon | 4.58 | 2 | Southwest Harbor | 3.35 | 0.77 |
| Bowerbank | 4.86 | 2.28 | Leeds | 5.28 | 2.7 | Standish | 3.96 | 1.38 |
| Bradley | 7.3 | 3.42 | Levant | 16.28 | 6.13 | Stockton Springs | 16.51 | 3.19 |
| Brewer | 7.73 | 4.57 | Lewiston | 5.58 | 2.77 | Sullivan | 4.67 | -1.23 |
| Brunswick | 5.15 | 2.57 | Limestone | 6.83 | -0.23 | Sumner | 8.04 | 2.09 |
| Buckfield | 6.22 | -2.17 | Lincolnville | 4.48 | 1.9 | Surry | 3.86 | 1.28 |
| Bucksport | 3.63 | 1.05 | Linneus | 6.12 | 0.03 | Thomaston | 19.24 | 3.96 |
| Buxton | 4.8 | 0.36 | Lisbon | 5.31 | 2.41 | Topsfield | 4.02 | 1.44 |
| Calais | 4.4 | 1.82 | Litchfield | 9.63 | 4.95 | Topsham | 12 | 2.97 |
| Camden | 4.67 | 2.09 | Livermore | 3.28 | 0.7 | Tremont | 5.99 | 3.17 |
| Cape Elizabeth | 4.37 | 1.79 | Livermore Falls | 5.28 | 2.7 | Trenton | 6.65 | 3.24 |
| Chelsea | 8.58 | 1.1 | Long Island | 3.98 | 0.24 | Turner | 6.23 | 3.65 |
| China | 4.29 | 1.71 | Machias | 3.38 | 0.8 | Union | 5.48 | 2.9 |
| Clinton | 4.24 | -0.05 | Madawaska | 5.14 | 2.56 | Veazie | 3.55 | 0.97 |
| Cumberland | 6.22 | 3.64 | Madison | 2.97 | 0.39 | Vinalhaven | 3.39 | -1.23 |
| Damariscotta | 4.6 | -2.23 | Manchester | 5.44 | 1.74 | Waterville | 8.22 | 3.14 |
| Danforth | 4.23 | -0.95 | Mariaville | 5.95 | 2.2 | Wayne | 2.58 | 0 |
| Dexter | 4.61 | 2.03 | Mechanic Falls | 4.71 | 1.44 | West Bath | 7.41 | 3.97 |
| Dover- Foxcroft | 4.54 | 1.96 | Mexico | 4.1 | 1.52 | Weston | 2.58 | -0.3 |
| Dresden | 7.74 | -4.31 | Milbridge | 3.89 | 1.31 | Willimantic | 6.11 | 3.53 |
| Eastport | 2.6 | 0.02 | Millinocket | 2.64 | -0.79 | Wilton | 2.59 | 0.01 |
| Edgecomb | 4.1 | 1.52 | Monmouth | 5.82 | 2.95 | Winslow | 5.13 | 2.55 |
| Ellsworth | 5.79 | 1.31 | Mount Vernon | 4.49 | 1.88 | Winterport | 5.83 | 3.25 |
| Enfield | 2.98 | 0.4 | Naples | 6.05 | 1.73 | Winthrop | 4.92 | 2.34 |
| Fairfield | 3.68 | 1.1 | Nashville Plt | 2.58 | -0.98 | Woolwich | 4.27 | 1.69 |
| Falmouth | 5.32 | 2.74 | New Gloucester | 6.62 | 2.3 | Yarmouth | 3.76 | 1.18 |
| Fayette | 5.36 | 2.01 | New Sweden | 4.56 | 1.39 | York | 5.58 | 3 |
| Fort Fairfield | 3.58 | 1 | North Berwick | 6.2 | 3.62 | | | |
| Freeport | 5.92 | 1.81 | Norway | 5.27 | 2.69 | | | |
| Gardiner | 8.9 | 1.88 | Oakland | 5.86 | 2.99 | | | |
| Georgetown | 3.5 | 0.92 | Old Orchard | 8.07 | 5.49 | | | |
| Glenburn | 7.49 | 2.88 | Old Town | 2.58 | 0 | | | |
| Gorham | 6.01 | 2.32 | Orono | 8.68 | 5.15 | | | |
| Grand Isle | 3.37 | 0.79 | Otis | 4.92 | 2.34 | *Average* | *3.55* | *1.75* |
| Gray | 5.13 | 2.18 | Parsonsfield | 2.81 | 0.06 | | | |
| Greenbush | 4.19 | 0.32 | Pembroke | 2.58 | 0 | | | |
| Hancock | 6.02 | -0.04 | Phippsburg | 5.43 | 2.85 | | | |
| Harrison | 6.16 | 3.58 | Portland | 3.56 | 0.98 | | | |
| Hermon | 7.95 | 3.5 | Randolph | 3.58 | 1 | | | |
| Hersey | 5.6 | 2.66 | Readfield | 5.46 | 2.88 | | | |

Note: Based on a Maine Municipal Association survey of municipalities subject to LD 1 growth limits in 2005. Sample may not be representative of all municipalities.

Source: "Comparison of Local Government Limitations in LD1, Colorado TABOR and proposed Maine TABOR," Maine Townsman, Maine Municipal Association, December 2005; "Average" calculation performed by MHPC.

**Sources**

[1] Wasylenko, Michael, "Taxation and Economic Development: The State of the Economic Literature," New England Economic Review, March/April 1997.
[2] For more information see: Poulson, Barry, "A Taxpayer Bill of Rights for Maine," Americans for Prosperity Foundation, October 2005.
http://www.americansforprosperity.org/includes/filemanager/files/pdf/me_tabor_study1.pdf
[3] PART 11, STATE TAX POLICY GOALS, CHAPTER 931, TAX BURDEN REDUCTION GOAL, §7301. Tax reduction goal.
http://janus.state.me.us/legis/lawmakerweb/externalsiteframe.asp?id=28001432l&ld=1&type=1&sessionid=6
[4] "LD 1 and TABOR Growth Factor Comparisons," Maine Townsman, Maine Municipal Association, December 2005.
http://www.memun.org/public/publications/townsman/2005/TABOR.pdf

**Methodology**

While this study has focused on the effects that the Maine Taxpayer Bill of Rights will have on the level of taxation in Maine; technically, the Maine Taxpayer Bill of Rights is a check on spending, not taxes per se. Two key assumptions in this analysis are that state and local budgets are always in balance (revenue equals expenditures) and that the current ratio of state and local taxes to expenditures remains constant.

With these assumptions, the same growth allowances applied to expenditures can also be applied to taxes. Each of the formulas is presented along with their data sources and methodology:

The growth allowance for the state government is based on the change in population plus the inflation rate. The projection of state-wide population is from the U.S. Census Bureau's population estimate to 2030 and can be found at:

http://www.census.gov/population/www/projections/projectionsagesex.html
The projection for the inflation rate is from the February 2006 Report of the Consensus Economic Forecasting Commission. The projection goes out to CY 2009 after which this study holds constant the CY 2009 inflation rate (2.8 percent) to CY 2021. The report can be found at:
http://www.state.me.us/legis/ofpr/CEFC%20Feb%202006.pdf

The growth allowance for local governments is broken down into two components:

Education Spending—The growth allowance for education is based on the change in school enrollment plus the inflation rate. The projection for school enrollment is from the Maine State Planning Office's "Forecast of Residents Educated at Public Expense by Town to 2017" and can be found at:
http://www.state.me.us/spo/economics/economics/spreadsheetfiles/publicxpense2017c.xls
The growth rate for 2017 was held constant to 2021. The projection for the inflation rate is same as the state growth allowance.

All Other Spending—The growth allowance for all other spending is based on the lesser of the change in property tax assessment versus the change in population plus the inflation rate. The projection in local property assessments is based on a linear extrapolation to 2021 of property assessments from 1999 to 2004 as found in "Municipal Valuation Return Statistical Summary" published by the Maine Revenue Services Property Tax Division and can be found at:
http://www.state.me.us/revenue/propertytax/Municipal%20Services%20Files/data.htm
The change in population is based on the State Planning Office's "Town-Level Population Projection to 2020 (with age cohorts)" and can be found at:
http://www.maine.gov/spo/landuse/docs/Population/TownAgeForecastSummary.xls
The growth rate for 2020 was held constant to 2021. The projection for the inflation rate is the same as the state growth allowance.

The split between "education" and "all other" spending was calculated by subtracting education spending from total tax commitments—leaving "all other" as a residual. The data for local tax commitments comes from the same source as local property assessments mentioned above. The data for education spending is from the Department of Education's "Mills Raised for Education" and can be found at:
http://www.maine.gov/education/data/budget/budget.htm

The projected growth allowances calculated for the state and local governments between 2008 to 2021 are applied to the state and local tax collection data published by the U.S. Census Bureau and can be found at:
http://www.census.gov/govs/www/index.html

Finally, the last year of complete state and local tax collections published by the Census Bureau is for FY 2002 (up to FY 2005 for state level data). The estimate of Maine's tax collections between FY 2002 and FY 2008 is based on actual and projected tax collections published by the Maine Office of Fiscal and Program Review (OFPR) and can be found at:
http://www.maine.gov/legis/ofpr/Tax%20Info/Tax%20Burden%20Report%20-%20March%202006.pdf
Due to differences in methodology, this report applied the year-over-year rate of change in state and local tax collections as estimated by OFPR and then applied the rate of change to the Census data.

J. Scott Moody is Vice President of Policy and Chief Economist at The Maine Heritage Policy Center. The author can be reached at jsmoody@mainepolicy.org.

The Maine View is a publication of The Maine Heritage Policy Center that provides research, historical perspective, updates and commentary on current public policy issues. All information is from sources considered reliable, but may be subject to inaccuracies, omissions, and modifications.

The Maine Heritage Policy Center is a 501 (c) 3 nonprofit, nonpartisan research and educational organization based in Portland, Maine. The Center formulates and promotes free market, conservative public policies in the areas of economic growth, fiscal matters, health care, and education – providing solutions that will benefit all the people of Maine. Contributions to MHPC are tax deductible to the extent allowed by law.



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We the people of Maine...

THE MAINE HERITAGE POLICY CENTER

# For the Taxpayer

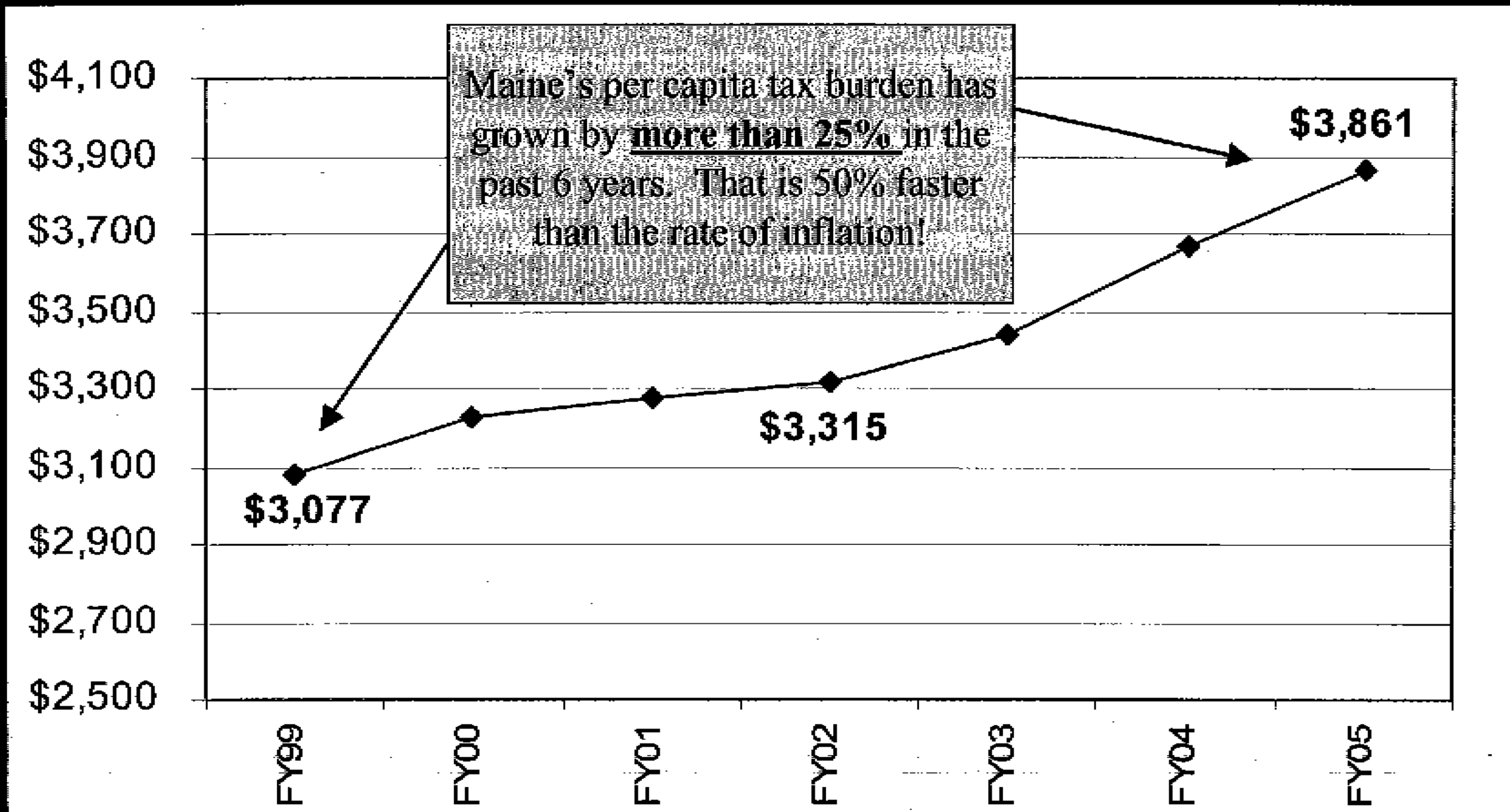
## What a Taxpayer Bill of Rights will do for Maine

April 28, 2006

# The Way Life Is...

- High Taxes & Big Spending
  - Highest state and local tax burden in US for 12 years
    - Mainers pay $135 (13.5%) in taxes for every $1,000 in income
  - Highest property taxes in the country
    - *% of personal income, 6th highest per capita*
  - 7th highest state income tax rates in the country
  - Downgraded bond rating - *all 3 rating agencies, first ever*
- Low Incomes and Poor Job Climate
  - 39th in median household income
  - 5th worst business tax climate
  - 3rd highest health insurance rates in the nation

# Maine's Spending Frenzy




Source: Maine State Legislature. Office of Fiscal and Program Review.

April 28, 2006

We the people of Maine... THE MAINE HERITAGE POLICY CENTER

# The Way Life Is...

- Very low job growth – since Jan 2003
  - 0.7% growth in private sector jobs
  - 1.7% growth in government sector jobs
- Oldest state in the nation (median age)
- Second lowest birth rate in the country
- Very slow population growth
  - less than 1% annually

# ...Is Not the Way Life Should Be

For 40 years,
we have heard that
Maine could tax and spend
its way to prosperity.
It is time for a change.

# But What Life Could Be with a Taxpayer Bill of Rights...

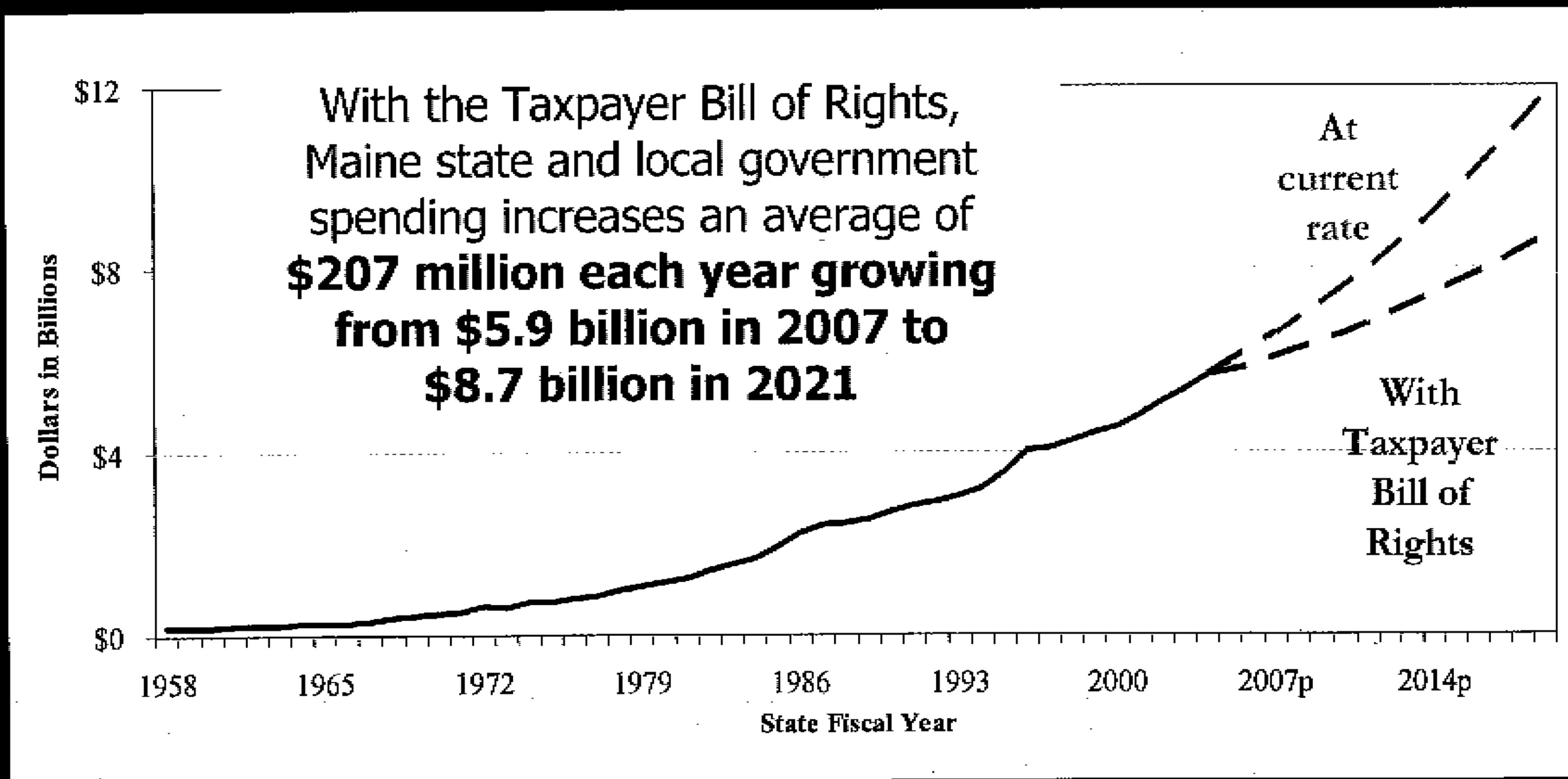
- Increase number of jobs
- Increase wages and incomes
- Retain more young people and families
- Reduce dependency on government programs
- Create more accountability for government spending
- Reduce tax burden

# How Do We Accomplish This

- Provide reasonable growth of government at all levels
- Create a predictable tax and regulatory climate
- Reduce tax burden
- Use a proven, simple and successful method

# Reasonable Increases in Government Spending

## State & Local




April 28, 2006

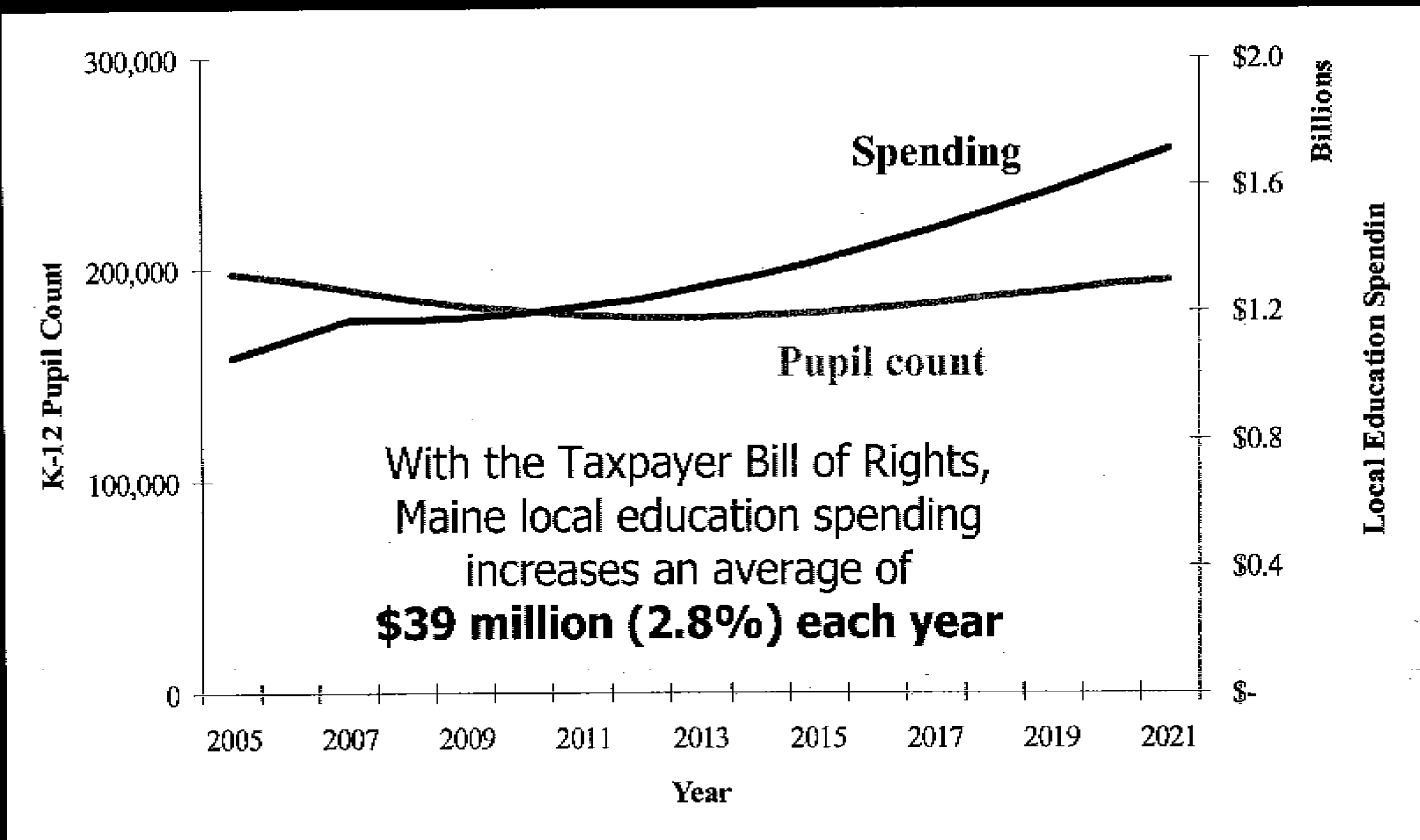
We the people of Maine...
THE MAINE HERITAGE POLICY CENTER

# Reasonable Increases in Government Spending

With a Taxpayer Bill of Rights…

- Local spending grows an average of $74 million each year
  - Increasing from $2.4 billion in 2007 to $3.4 billion in 2021
  - 3.1% average growth each year
- State spending grows an average of $133 million each year
  - Increasing from $3.4 billion in 2007 to $5.2 billion in 2021
  - 3.7% average growth each year

# Reasonable Increases in Local Education Spending



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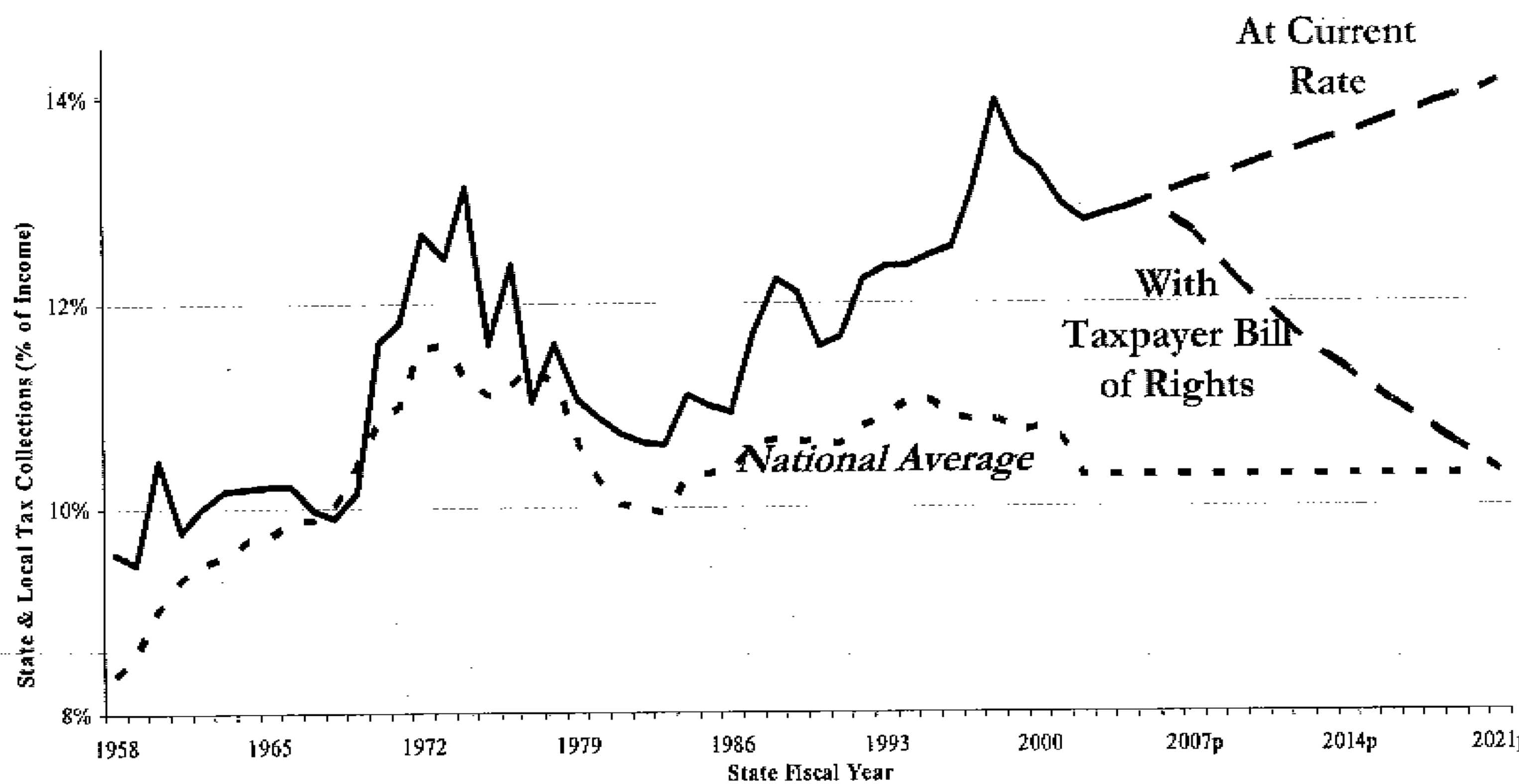
# What Would a Taxpayer Bill of Rights Accomplish?

## Tax Burden

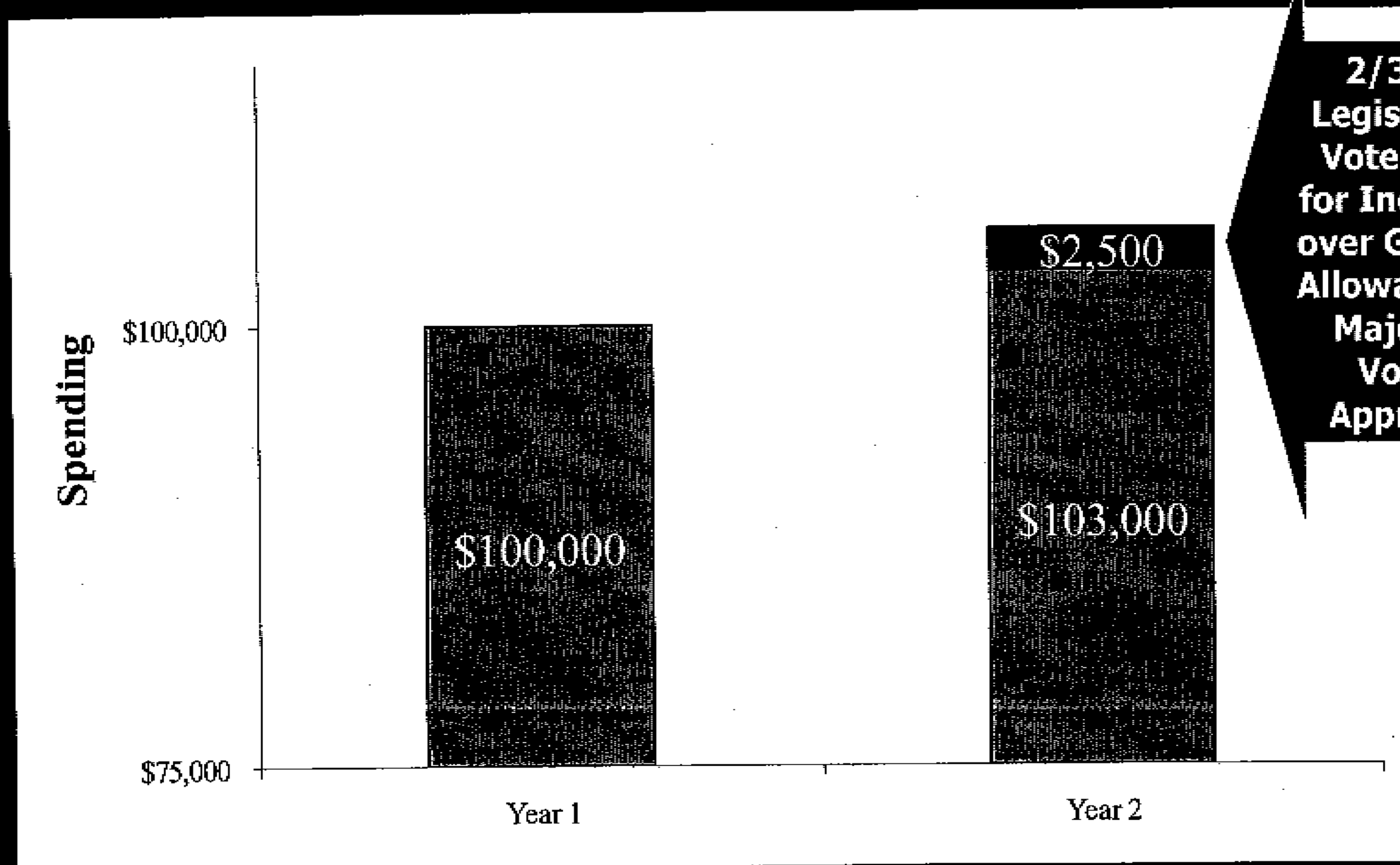


# With a Taxpayer Bill of Rights...

- Maine's tax burden will be at the national average by 2021.

- How can the Taxpayer Bill of Rights be unreasonable when the stated goal of LD 1 is to reduce Maine's tax burden to the national average by 2015?

# Approval for Spending Increases above Limit




**2/3rds Legislative Vote Only for Increase over Growth Allowance + Majority Voter Approval**

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# Questions

STATE OF MAINE
COMMISSION ON GOVERNMENTAL ETHICS
AND ELECTION PRACTICES
135 STATE HOUSE STATION
AUGUSTA, MAINE
04333-0135

To: Commission Members
From: Jonathan Wayne, Executive Director
Date: December 8, 2006
Re: Additional Materials for Agenda Item #8

---

I have attached two materials relating to Agenda Item #8:

- A letter received today from Daniel I. Billings, Esq. on behalf of the Maine Heritage Policy Center.

- Legislative testimony relating to the Taxpayer Bill of Rights (TABOR) which I obtained in response to a voicemail left by Mavourneen Thompson today. Earlier this year, TABOR was considered by the Legislature as LD 2075 before it was put on the general election ballot. It received a public hearing on March 30, 2006 before the Joint Standing Committee on Taxation.

  At the hearing, Bill Becker testified for the Maine Heritage Policy Center (MHPC). The MHPC testified in support of LD 2075 (the MHPC thanked the committee for the opportunity to testify in "full support" of the bill). When Mr. Becker signed up as the second witness, he placed a check-mark in the proponent column. One of the materials attached to his supportive testimony was an article in the Maine View, a newsletter published by the MHPC.

  Please keep in mind that PAC reporting and §1056-B reporting are concerned with financial reporting of efforts to influence an <u>election</u>, not a bill before the Legislature. Nevertheless, the MHPC testimony in support of TABOR may have some bearing on whether you believe – later in the year – the MHPC made expenditures to promote or influence in any way the TABOR ballot question.

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December 8, 2006

Jonathan Wayne, Executive Director
Maine Commission on Governmental Ethics & Election Practices
135 State House Station
Augusta, ME 04333-0135

**RE: Issues Raised by December 6th Staff Memo**

Dear Jonathan:

I apologize for writing after the meeting packet has been put together, but the December 6th staff memo brought to mind issues that should be considered by the Commission staff and counsel before the December 12th meeting.

**Statutory Construction of 21-A M.R.S.A. §1056-B**

Page 13 of the staff memo states "we believe that the Commission should apply §1056-B as it is written." If that is going to be done, consideration must be given to the legal meaning of the terms used in the statute. The staff memo does not consider the statutory meaning of the terms used in §1056-B.

§1056-B(2) requires reports containing "an itemized account of each contribution received and expenditure made aggregating in excess of $100 in any election." The terms "contribution" and "expenditure" as used in §1056-B are defined in 21-A M.R.S.A. §1021.

The term expenditure is defined in §1021(4) as including "[a] purchase, payment, distribution, loan, advance, deposit or gift of money or anything of value, made for the purpose of influencing . . . the initiation, support or defeat of a campaign, referendum or initiative." Therefore, by definition, expenditures required to be reported under §1056-B(2) are limited to those made for the purpose of influencing the initiation, support, or defeat a referendum or initiative. If the Commission is to apply §1056-B "as written" the statute must be so limited.

The question then becomes what speech would qualify as being made for the purpose of influencing the initiation, support or defeat of a campaign, referendum or initiative? Would it include speech that does not expressly advocate the passage or defeat of a referendum question? If so, would the definition of expenditure then become unconstitutionally vague or overbroad? How would a speaker know when their speech concerning a referendum question triggered reporting and when it did not?

**Historical Application of 21-A M.R.S.A. §1056-B**

Commission staff have determined that no groups filed §1056-B reports in 2004, despite a great deal of activity concerning the Palesky Tax Cap referendum. Some of the groups that now suggest that the Commission should apply the statute broadly did not apply such a reading of the law to their own activities two years ago. A number of groups who filed reports this year had conducted similar activities in 2004 without filing reports. Also, there were a number of organizations other than MHPC which conducted activities this year regarding the Taxpayer Bill of Rights who have also not filed reports with the Commission. These organizations include a number of Chambers of Commerce, trade organizations, municipalities, school districts, and businesses who endorsed or opposed the Taxpayer Bill of Rights and whose activities would exceed the $1500 threshold if staff time spent on those activities is to be counted towards the reporting threshold.

This suggests that there has been no widespread agreement or understanding of the requirement of §1056-B and little action by the Commission to enforce the law or to educate groups regarding its requirements. The same conclusion that MHPC reached regarding filing was reached by a number of other organizations in both 2004 and 2006. If the approach suggested by the staff memo is adopted by the Commission, will all groups who have conducted referendum related activities now be required to report their past activities?

**What should be reported?**

The staff memo provides little guidance to what a group such as MHPC should report. As has been detailed in the information MHPC has provided to the Commission, MHPC spent no money on advertisements, mailings, or other campaign type activities related to the referendum. There are no bills or invoices to consult to determine what expenditures should be reported if the Commission adopts the view expressed in the staff memo.

If MHPC were to be required to report, the main item on the report would be staff time. What staff time should be reported? Should research and report writing be reported? At least one group that has filed a §1056-B report has stated that they did not report staff time spent on research. If public speaking by staff members is to be reported, how should media appearances covering several different topics be reported? MHPC President & Chief Executive Officer Bill Becker is a regular guest on radio talk shows. In many of his appearances during 2006, a number of topics were discussed along with discussion of the Taxpayer Bill of Rights. How should the time spent on such appearances be reported?

After the fact, it will be nearly impossible to accurately determine the exact amount of staff time spent on such activities.

It is also important to note that MHPC's public speaking on the initiative was primarily at the invitation of media, cities, towns, and service organizations that decided to organize forums. MHPC did not organize meetings to educate voters or organizations about the initiative. However, as experts on the issue, MHPC was asked to explain the proposal at a number of events organized by others.

If reporting by MHPC is to be required, guidance should also be provided regarding the time period where reporting is required. As has been earlier explained, MHPC was the author of model legislation that eventually became the basis for a legislative bill introduced in the Legislature in 2005 and a citizens' initiative known as the Maine Taxpayer Bill of Rights. However, MHPC did not draft the model legislation to be a referendum question and MHPC did not initiate or organize the effort to have the bill placed on the ballot. Should staff time spent on drafting the model legislation be reported? If reporting is to be required, must MHPC report staff time answering press calls concerning the bill while the signature gathering process was underway? It should be noted that opponents spoke out against the Taxpayer Bill of Rights before the decision was made to place it on the ballot. However, those that have filed reports appear to have limited their reporting to the period after the decision was made to place the question of the ballot.

Very truly yours,

Daniel I. Billings
e-mail: dbillings@gwi.net

# TESTIMONY SIGN IN SHEET

**Joint Standing Committee on Taxation**

LD 2075 (TABOR)

PAGE 1

Date: March 30, 06

| Name | Town/Affiliation | Proponent | Opponent | Neither |
|---|---|---|---|---|
| Mary Adams | Garland / Homemaker | ✓ | | |
| Bill Becker | Portland / MHPC | ✓ | | |
| Pem Schaeffer | Brunswick | ✓ | | |
| [illegible] | Farmington | ✓ | | |
| Tom Gleason | Windham | ✓ | | |
| Lane Hiltunen | Windham | ✓ | | |
| [illegible] Mattson | Harrison | ✓ | | |
| [illegible] Howell | Bristol | ✓ | | |
| [illegible] Howell | Bristol | ✓ | | |
| [illegible] Love | Yarmouth | ✓ | | |
| [illegible] Love | Yarmouth | ✓ | | |
| [illegible] | Yarmouth | ✓ | | |
| [illegible] | Yarmouth | ✓ | | |
| Mark [illegible] | [illegible] | ✓ | | |
| [illegible] Martin | Jefferson | ✓ | | |
| Dawn Blake | Belfast | ✓ | | |
| [illegible] Marie Russell | Bristol | ✓ | | |

**Testimony of Bill Becker**
**In support of LD 2075, An Act to Create a Taxpayer Bill Of Rights**

**Delivered by Bill Becker, president & CEO of The Maine Heritage Policy Center at the March 30,2006 hearing on LD 2075 before the Joint Standing Committee on Taxation**

Senator Perry, Representative Woodbury, distinguished members of the Committee, my name is Bill Becker, and I am the President of The Maine Heritage Policy Center, a public policy think tank located in Portland, Maine. I wish to express my sincere thanks to the Committee for the opportunity to testify in full support of LD 2075, An Act to Create a Taxpayer Bill of Rights.

Patrick Henry, when asked to define the role of government in America, stated: "The Constitution is not an instrument for the government to restrain the people; it is an instrument for the people to restrain the government -- lest it come to dominate our lives and interests."

That very statement is exactly what the Taxpayer Bill of Rights sets out to do through a reasoned, principled, and moderate approach to creating a healthier Maine economy.

The meaning of the words "The Taxpayers' Bill of Rights" reminds us of the original Bill of Rights which guaranteed us certain additional protections from an overreaching government. Some examples included the right to bear arms, the right to free speech, the right to state sovereignty.

Here in Maine, we are talking about the taxpayer's right to set parameters, or guidelines, regarding the growth of our taxes and the spending that drives them. We are talking about slowing the rate of growth of government to something that Maine people can afford.

What does the Maine Taxpayer Bill of Rights do?

1. It will allow government at all levels to grow as fast as our economy grows, using inflation (erosion of the value of money) plus an allowance for population growth. The government should not grow at a rate that is faster than the taxpayers' ability to pay.
2. If government leaders decide we do need to increase a tax, a fee, or government spending – they must fist ask for our permission after a 2/3 vote of the governing body. Similar to the way that major decisions are passed in this state – constitutional amendments and bonds, and until recently, the state budget - the legislature would be required to have a 2/3 vote to send it to the voters for their approval with just a majority vote needed.
3. And, if excess money comes in over an above the allowable spending, 80% gets returned to the taxpayer and 20% goes into a budget stabilization fund – at every level of government.

Why is this needed? One need only look at our current situation to understand that a dramatic change is needed. Maine is facing:

- Highest State and Local Tax burden in the nation – a rank we have held for the last decade.
- 2nd highest health insurance rates in the nation – only exacerbated by this Administration's unsustainable Dirigo Health initiative and Medicaid expansion, leaving Maine with the highest percentage of its population on Medicaid of any state in the nation.
- Ranked 5th worst just this month in our states business tax climate by the nonprofit Tax Foundation
- Ranked 2nd worst in the Small Business Survivability index produced by the nonprofit Small Business and Entrepreneurship Council

- Population growth is slow over the last 15 years, and is one of the lowest in the nation at only 7.8% - averaging near stagnant annual growth
- Multiple jobs reports in the past few months look at the data clearly and state a net loss of jobs in last few years – and the only growth is in government, education, and health care – all funded primarily from our tax dollars
- All 3 bond rating agencies downgraded Maine last year – first time in our history, and we are on a watch list again this year
- Maine's personal income growth has persistently lagged the national average over the last 50 years.
- The highly touted LD1 which promised to lower Maine's tax burden to the middle third of all states by 2015, has failed to deliver much tax relief while state spending has again increased at over 10% during this biennium. It is nearly statistically impossible, as we will point out in the coming weeks, that LD1 will achieve the desired goal anywhere near the year 2015.

Maine people have learned about these facts, and realize that we cannot continue to support the same public policies that have brought us to the bottom of the economic barrel when compared to most states. Unfortunately, reasonable reform is being opposed only by a small yet vocal minority of organizations that depend on unfettered increases in government spending to their government departments, agencies, nonprofits, or special interests. This "spending lobby" is very well staffed, vocal, and strident in their opposition to any common sense, reasonable, moderate, and proven public policy such as the Taxpayer Bill of Rights.

I would like to address some of the points recently made by well-meaning but misinformed critics who have spoken out against the value of growth allowances made by the Maine Taxpayer Bill or Rights. It is important to put an end to the misinformation by providing the committee with fact over fiction.

1. FICTION: You will be told by opponents that The Maine Taxpayer Bill of Rights will cut government spending and devastate Maine public services.

   FACT: Maine's Taxpayer Bill of Rights does not propose a cut in any program or a service. It allows all levels of government to grow annually at the rate of inflation with an allowance for population growth. No cuts are proposed. Those who argue that there will be cuts are really arguing that even today, Maine does not spend enough money per capita on government programs or services, and that any sort of restraint would prevent even greater levels of spending and taxes. It is true that in a very small percent of municipalities which are losing a large portion of their population (faster than the inflation rate), that the growth allowance will be negative – reflecting not a cut in real per capita government services, but the reality of a smaller population being served by that level of government.

2. FICTION: Opponents will claim that Colorado has repealed, repudiated, or otherwise suspended their own earlier version of the Taxpayer Bill of Rights.

   FACT: The Taxpayer Bill of Rights remains in place in Colorado. Since Colorado voters passed it as a constitutional amendment 14 years ago, not one word, comma, or other alteration has touched the Taxpayer Bill of Rights. In November of 2005, Colorado voters approved a 2/3-vote request by the Colorado legislature to forego any rebates that would be returned to the taxpayers for the next five years. It was the first such statewide approval in 14 years conducted through the law's own provisions.

3. FICTION: You will hear that TABOR has devastated Colorado. Sine the Colorado Taxpayer Bill of Rights was passed, Colorado has become a bad place to create jobs, do business, or to live.

FACT: Colorado's population has grown by 40% over the last 15 years, from 3 million to 4.5 million people. Nearly one million jobs have been created, and Colorado is consistently in the top ten states in job growth. Colorado's gross state product is one of the fastest growing in the nation. Colorado has one of the lowest tax burdens and friendliest business environments in all national rankings.

4. FICTION: You will hear from opponents that Colorado's Taxpayer Bill of Rights has devastated Colorado's government programs and services. K-12 education, higher education, and health care services for the poor have deteriorated.

   FACT: Government has not suffered under their Taxpayer Bill of Rights. In just the past six years (after the boom of the 1990's and through Colorado's recession), total state government spending has increased by 50% from $10 billion in 1999 to $15 billion in 2005.
   Most of the problems that impacted government in Colorado were caused by the 2001-02 recession, the high-tech bust, and a drought and forest fire season that caused state tax revenue to decline by 17% in just 18 months. That revenue decline was not at all due to the Taxpayer Bill of Rights. Still, average teacher salaries in Colorado are 22nd highest in the nation, and Colorado boasts some of the most well-respected universities in the nation. Some of the recent vote, under the law's provisions, is to go to higher education.

5. FICTION: At the same time that opponents will try and convince you of Colorado's devastation, another report comes out claiming that Colorado's economic success is not due to Colorado's Taxpayer Bill of Rights.

   FACT: In fact, neither claim is true. A March 16, 2006 report from the Center for Budget and Policy Priorities, a direct funder and supporter of the Maine Center for Economic Policy, claims that Colorado has suffered significant decline and deterioration under the Taxpayer Bill of Rights. But a report released last week (March 23, 2006) by this same organization, makes that case that Colorado in fact prospered in the 1990's – but that it was not due to the Taxpayer Bill of Rights. You can't have it both ways. Colorado either prospered, or it didn't, and the CBPP's own paper contradicts earlier efforts to claim devastation. The data speaks for itself.

6. FICTION: Christopher St. John of the Maine Center for Economic Policy stated on a Tuesday television interview that Maine's high tax burden is due to the fact that Mainers have a Massachusetts appetite for level of services, but an Arkansas level of income.

   FACT: Looking at both Arkansas and Massachusetts, we find that they both have a dramatically lower state an local tax burden than does Maine, a much lower median age, and have more residents with a bachelors degree or higher. Yet Massachusetts has a much lower percent of its population receiving Medicaid (one of the largest services that any state government provides), and roughly the same percent of uninsured as Maine. And Arkansas residents do earn less than Mainers, yet that state is seen as one of the more business-friendly states in the union, while Maine is second to last. So while it is true that Arkansas residents earn less than Massachusetts or Maine residents, both of their states have figured out how to attract jobs, people, and businesses through a lower rate of spending and taxes.

7. FICTION: Opponents, such as former Colorado State Representative Brad Young, will claim that by the citizen's having a greater say in tax and spending increases, we have lost our representative democracy.

FACT: TABOR does nothing to jeopardize representative democracy. Elected officials will still hold the ultimate responsibility for determining the laws of this state and local government. Budgets and taxes will still be crafted and negotiated by legislators and town officials. But the people will now define the parameters within which officials can tax and spend – tied to a very solid and economically significant statistic such as inflation and population growth. There are new parameters within which officials can operate – similar to the term limits which defined how long a legislator can serve.

8. FICTION: You will be told by the opposition that there is no need for a two-thirds vote in order to ask the citizens for their majority vote to approve tax or spending increases above the inflation plus population formula.

   FACT: Major decisions by Maine state government require a two-thirds majority vote. The budget has traditionally required that deference, and it is required that both bonds and constitutional amendments receive a two-thirds vote of the Legislature followed by a majority vote of the people. This is exactly the same formula being proposed under Maine's Taxpayer Bill of Rights. Some states actually require a three-fifths vote in this area. Why so stringent at the state and local level? Because Maine's highest-in-the-nation tax burden necessitates a change from the status quo when it comes to both spending and taxes, a two-thirds vote is appropriate. Otherwise, without the two-thirds requirement, it would be business as usual.

9. FICTION: Opponents will claim that Maine's Taxpayer Bill of Rights will not be effective on the state level if it is not in the Constitution as an amendment.

   FACT: It is the responsibility of our legislators to uphold the will of the people – and a citizen's petition and initiative is a demonstration of that will. It is important to note two specific citizen's *initiatives that are not found in the Maine Constitution, but were passed as citizen's initiatives and* hold tremendous sway over this body today. Both term limits, and Clean Elections, were citizen's initiative but are cot constitutional. The will of the people is a powerful message, and does not necessarily need to be a constitutional law.

10. FICTION: Opponents will make the claim that TABOR is complicated, or that it would be difficult to implement at the state and local level. Opponents will also claim that the administrative costs of sending tax and spending increases to the voters would be high.

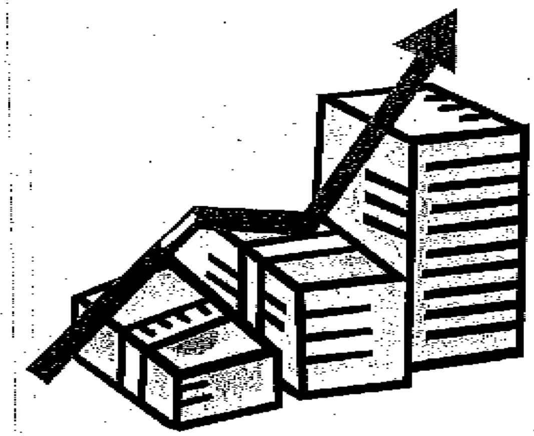
    FACT: Whenever a new law is implemented, there can be great consternation regarding the imp[lamentation and conformity with other state and local laws. One example were the critics of both term limits and clean elections – both have survived the test of time well. I'm fully confident that the good people at the Maine Municipal Association, having worked hard at implementing even the dubious and complex LD1, would be fully capable of managing the implementation of the Maine Taxpayer Bill of Rights.

Noted political opinion leader George Will once stated: "In the lexicon of the political class, the word 'sacrifice' means that the citizens are supposed to mail even more of their income to the government so that the political class will not have to sacrifice the pleasure of spending it."

It's time to end that pattern in Maine.

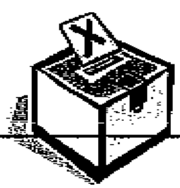
Thank you for your time and would be happy to answer any questions you might have.

# How Does It Work? – Schools

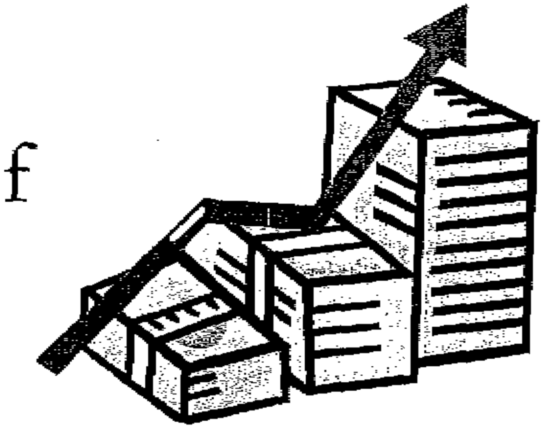


- Current Year Spending
- Plus Growth Allowance

  *(inflation + pupil change)*

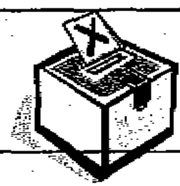
| *Approval Process* | *Spending Increase* | | *Mill Rate Increase* |
|---|---|---|---|
| | *At or below* | *Above* | |
| | *allowed growth allowance* | | |
| School Board, City Council OR Annual Town Meeting | Simple majority | 2/3rds majority AND | |
| Voters  | NONE | Majority voter approval | |

# How Does It Work? – Local/County



- Current Year Spending
- Plus Growth Allowance – lesser of

  *(inflation + population growth OR increase in property valuation)*

| ***Approval Process*** | ***Spending Increase*** | | ***Mill Rate or Fee Increase*** |
|---|---|---|---|
| | ***At or below*** | ***Above*** | |
| | ***allowed growth allowance*** | | |
| **County Commissioners, City Council OR Annual Town Meeting** | **Simple majority** | **2/3rds majority AND** | |
| **Voters**  | **NONE** | **Majority voter approval** | |

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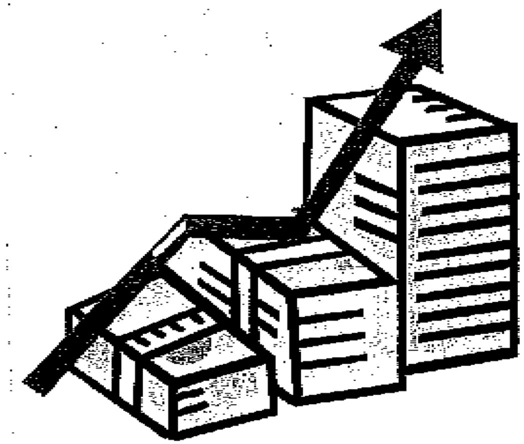
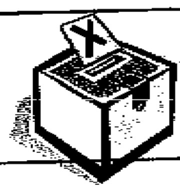
# How Does It Work? - State

- Current Year Spending
- Plus Growth Allowance

  *(inflation + population growth)*



| *Approval Process* | *Spending Increase* — *At or below* allowed growth allowance | *Spending Increase* — *Above* allowed growth allowance | *Tax or Fee Increase* |
|---|---|---|---|
| State Legislature and Governor | Simple majority and Governor's signature (current law) | 2/3rds majority and Governor's signature AND | 2/3rds majority and Governor's signature AND |
| Voters | NONE | Majority voter approval | Majority voter approval |



# What's the Taxpayer Bill of Rights?

- Provide an allowance for the growth of government spending (annual increases - inflation plus population growth)
- Requires 2/3rds vote of legislative body AND voter approval
  - to override spending limits AND/OR
  - to increase a tax or fee
- Requires automatic refunds of 80% surplus revenue
- Requires that 20% of surplus revenue be placed in Budget Stabilization Fund to provide level funding and prevent tax increases during recessions (fund max – 10% of budget)
- Applies to all levels of government - state, counties, schools and municipalities

We the people of Maine...

The Maine View

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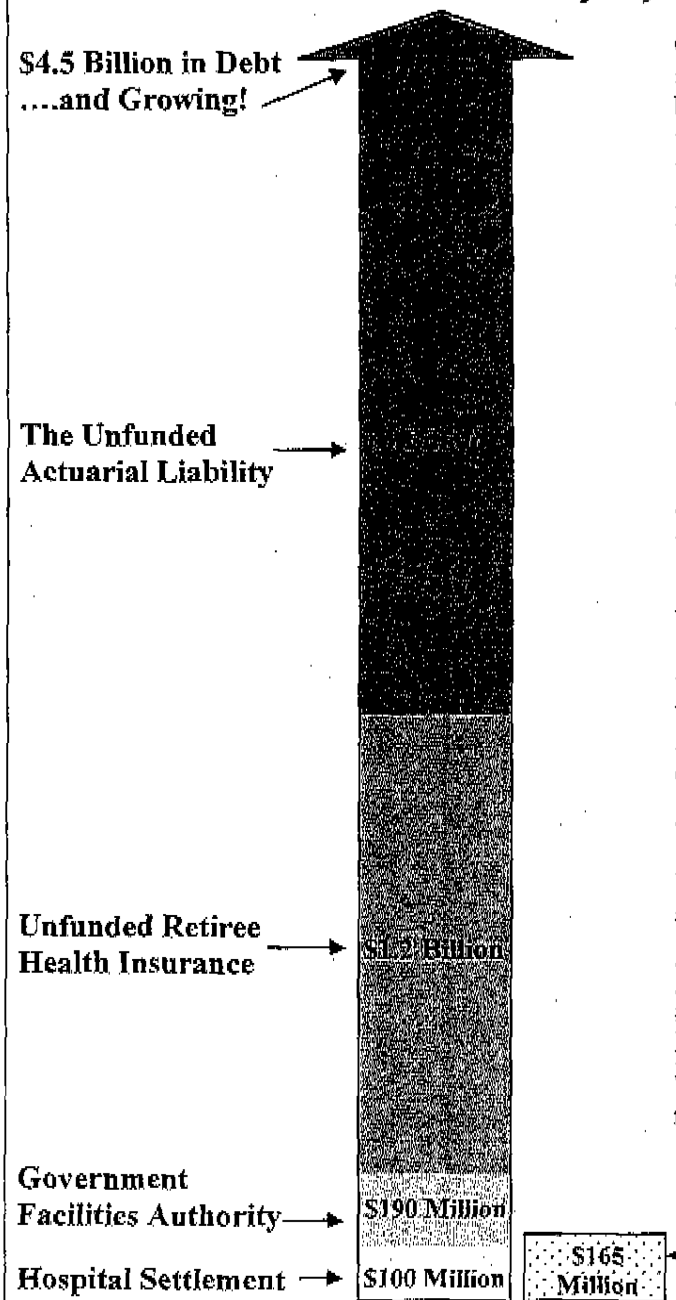
# Beyond the Supplemental Budget:

## What About State Debt, Per Capita Tax Burden, Future Reserves, and the Structural Gap?

*by Roy Lenardson*




*This is the "__surplus__" driving the current supplemental budget*

Once again the legislature is busy spending the "surplus" that arrives miraculously each year sometime after Christmas, but before the sap flows from Maine's maple trees. There are a few important points that need to be made about the alleged surplus, from which the Supplemental Budget is derived.

Let us be clear, **__there is no surplus__**. Ignored hospital bills, growing unfunded liabilities of the retirement system, and shifted costs to future budgets are more than sufficient evidence of the absence of any surplus. Hopefully, policymakers will look beyond the alleged surplus, and instead, make significant policy changes to stem the expanding structural gap forecast for 2008, as well as the **growing mountain of debt**.

- The largest state debt is the **unfunded actuarial liability** owed to the **Maine State Retirement System.** The short fall is estimated to be $3 billion, with a constitutional requirement to pay down the unfunded liability no later than June of 2028.[1]

- The state of Maine is currently carrying approximately $1.2 billion in an **unfunded obligation for health insurance premiums** for retired teachers and state employees. In 1999, Governor King created the Retiree Health Insurance Fund to begin whittling away at the unfunded obligation. However, during the 2004 session, this entire fund was spent in supplemental budgets.[2]

- The **Maine Governmental Facilities Authority** was started in 1998 and allows lawmakers to avoid voter approval for bonding. With a simple majority vote, the Legislature can borrow at will and pass the debts on to future legislatures.[3]

- Under **Medicaid,** hospitals are paid a **provisional interim payment** ("PIP") every month. The backlog of money owed to hospitals at this time is approximately $300 million in state and federal funds. The state share is about $100 million. It should be noted, that the federal funds are available now, but cannot be released until state funds are committed.[4]

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THE MAINE HERITAGE POLICY CENTER

| Table 1 | | | |
|---|---|---|---|
| **Year** | **National Avg.** | **Maine's State and Local tax Burden** | **Maine's Rank** |
| 2002 | 10.2% | 12.7% | 1 |
| 2003 | [illegible] | 12.9% | 1 |
| 2004 | 10.2% | 13.0% | 1 |
| 2005 | 10.1% | 13.0% | 1 |

Source: Tax Foundation,

**Tax Burden**

*Another issue often lost in the budget debate is the actual consequence of* passing budgets—the resulting tax burden. Recall in 2004, with the introduction of L.D. 1, Governor John E. Baldacci and the Legislature indicated that they were willing to address Maine's tax burden. The legislation even went so far as to statutorily state the policymakers' tax burden reduction goal with the passage: "*. . . that by 2015 the State's total state and local tax burden be ranked in the middle 1/3 of all states . . .*"[5]

Well, it stands to reason that if we are currently among the highest in the nation in terms of tax burden, the Governor and the Legislature would need to enact budgets that have the effect of lowering that burden. So, that begs the question—How did they do? Not so well, according to the Tax Foundation, a nationally recognized organization. Table 1 shows that in the first year of Governor Baldacci's term Maine ranked number 1 in terms of state and local tax burden. At 12.7 percent, Maine was 24 percent higher than the national average of 10.2 percent. In 2005, the last year of complete data, Maine ranked number 1 again at 13 percent, or 28 percent higher than the national average of 10.1 percent.[6]

> *This year, Maine's tax burden ranked* ***number 1 again*** *at 13%. That's 28% higher than the national average of 10.1%.*

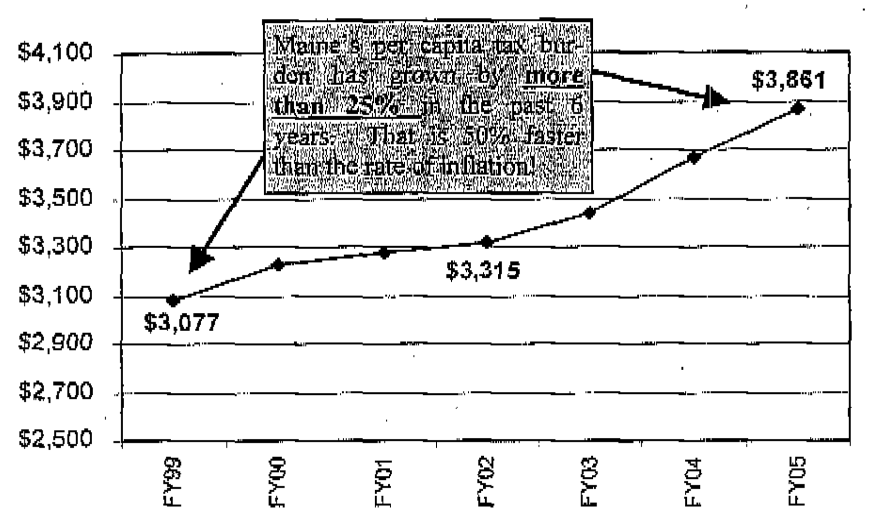
If the goal was a lower tax burden, then we are moving in the **wrong direction.**

It's not necessary to use national data. One can look right here in Maine at the figures provided by the Maine State Legislature's Office of Fiscal and Program Review. Maine's per capita total tax burden continues to increase at a rate significantly greater than inflation. In fact, Chart 1 indicates that since 1999 the Maine tax burden has grown more than 25 percent, or about 50 percent faster than the rate of inflation.[7]

**The question is very simple: How does the Governor and the Legislature plan to move Maine's tax burden to the middle of the pack? The follow three budget line items will add to, not lower, the Maine tax burden.**

Chart 1

**Maine State and Local Taxes Per Capita 1999-2005**




Source: Maine State Legislature. Office of Fiscal and Program Review.

1. **More Positions.** The Supplemental Budget adds **46.5 more state employee positions** paid for in the General Fund. Another 29 state employee positions are financed by Other Special Revenues.[8]

2. **More Mainecare/Medicaid Spending.** The supplemental budget continues to feed the state's fastest growing welfare program, Medicaid/Mainecare, **by adding another $86.7 million in additional spending.**[9] This increased funding creates future problems down the road because it postpones the inevitable expansion of eligibility to the next biennium, as opposed to making the structural changes needed today. In fact, the structural gap analysis prepared by the Legislature's fiscal office, indicated that spending is projected to grow by almost 25 percent in the next biennium. This growth is a direct result of the failure to make long term adjustments to the program.

3. **More Education Spending.** On the education front, the continued ramp up of school funding to 55 percent of the full costs of essential program and services (EPS) will result in double digit increases, ranging from 17-20 percent, in both the FY06-

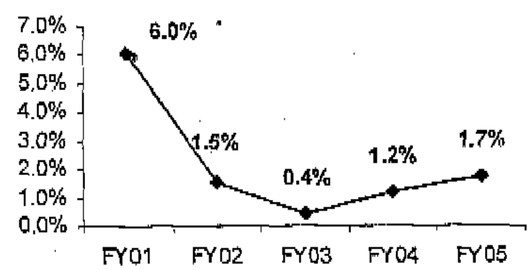
biennial budget, and the FY08-FY09 budget (projected).[10] While the additional school aid will undoubtedly be welcome at the local level, the evidence of a lowered tax burden as a result of the infusion of cash remains questionable, and will remain that way until the Governor and the Legislature implement meaningful controls on spending at all levels of government.

**Future Reserves**

In 2003, the Governor and the Legislature replaced the Maine Rainy Day Fund with the Maine Budget Stabilization Fund. The amended fund is primarily used for the prepayment of General Fund bonds or for major construction (projects greater than $500,000).[11] In the last session of the Legislature (2005), the Legislature further amended the Maine Budget Stabilization Fund so that it's primary purpose is to address revenue shortfalls.

Chart 2

**Ending Balance of the Maine Budget Stabilization Fund as a % of General Fund Revenue**




Source: Maine State Legislature. Office of Fiscal and Program Review, Compendium of State Fiscal Information, Jan. 2006.

In 2005, the ending balance was just 1.7 percent of General Fund Revenue, down from the high and statutory cap of 6 percent, in 2001 (see Chart 2). The Governor's Supplemental Budget proposes to place $35 million in the Budget Stabilization Fund, in 2007. Of course, the same budget also proposed to undo a budget gimmick from 2005, in which the Legislature in essence, created money out of thin air to balance the books in 2006. The Legislature achieved this by loaning some money to the 2006 budget from the 2007 resources.[12]

Unfortunately, that plan backfired. The state coffers swelled, making the loan unnecessary. Here comes the best part: as a result of the legal requirements governing budget resources, a law was triggered that would automatically move the "loan" money to the Maine Budget Stabilization Fund.[13] Unfortunately for Maine taxpayers, that money will likely never make it to the Maine Budget Stabilization Fund. The Governor proposed to "undo" the "loan," which triggered the transfer. At the end of the day, he can claim $35 million more for the Maine Budget Stabilization Fund, but in truth, more than **$7 million** was cut in reserve revenue from what would have transpired if the dubious borrowing never happened.[14]

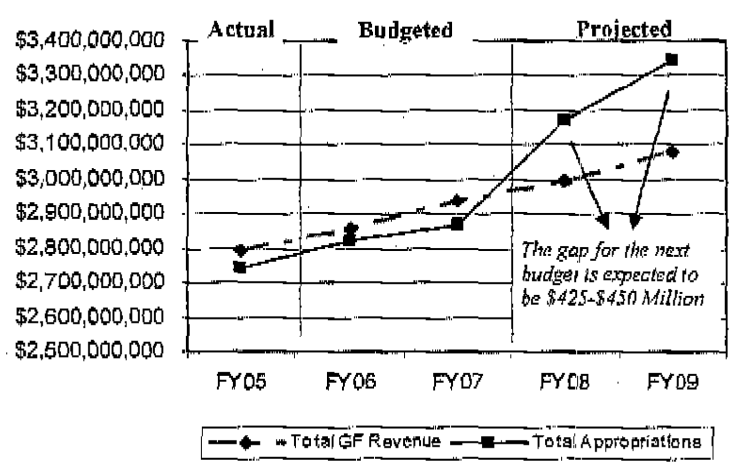
**The Structural Gap**

What about the next biennium? Will Maine be on the right track to move toward the middle of the pack in the next budget? One excellent barometer of future budget stability can be found in the structural gap analysis provided by the Office of Fiscal and Program Review in the ***Structural Gap Estimate: March 2006.***

> *"Despite revenue revisions increasing 2008-2009 General Fund revenue projections by almost $50 million, updated estimates of the costs of General Purpose Aid for Local Schools and Medicaid/ MaineCare programs result in virtually no net change in the General Fund structural gap estimate of **$425 to $450 million** released after the 1st Regular and 1st Special Sessions of the 122nd Legislature.*
>
> *The extent of the future imbalances will depend largely on the decisions regarding the use of the current biennium budgeted ending balance of $113.1 million and the initiatives used to address the 2008-2009 General Fund structural balance. Even assuming that GPA growth declines dramatically in the 2010-2011 biennium and that the methods to balance the 2008-2009 biennium do not exacerbate the gap further, **the 2010-2011 structural gap may exceed $600 million** based on longer term projections of revenue growth and spending needs.*"[15]

Chart 3

**General Fund Structural Gap**




Source: Maine State Legislature. Office of Fiscal and Program Review.

It is not difficult to pinpoint the drivers in the structural gap. MaineCare spending is projected to grow nearly 25 percent in FY08-FY09 and education spending is expected to grow by almost 20 percent.[16] Fiscal restraint seems highly unlikely if the past decade is any indication of future performance.

**Conclusion**

In the end, whether it is the **ballooning debt**, the **expanding per capita tax burden**, the **anemic reserves** for rainy days, or the **ominous structural gap** forecast, there is little hope that Maine will ever see a lower tax burden as long as these four fiscal challenges continue to plague the Maine taxpayer.

**Methodology**

The total state debt number was calculated based on state debt incurred by the Maine State Legislature. General Obligation Bonds were not included in the calculation because those bonds were not only approved by the Legislature, but also, approved by the Maine voters. The voter approval legally obligates Maine government to issue the debt. However, all other outstanding debt is the direct result of legislative action. Currently, Maine has $487 million in outstanding General Obligation Bonds.[17]

**Sources**

1. State of Maine, Office of the State Treasurer, *Maine's 2004 Tax-Supported Debt profile as of June 30, 2005.*
2. IBID.
3. Maine State Legislature, Office of Fiscal and Program Review, *Compendium of State Fiscal Information*, Jan. 2006.
4. Maine Hospital Association, *Testimony in Support of LD 1968.* http://www.themha.org/advocacy/2006supplementalbudget.htm
5. MRSA, section 7301.
6. Tax Foundation, *Tax Freedom Day Report*, 2002-2005.
7. Maine State Legislature, Office of Fiscal and Program Review, *State and Local Tax Burden.* http://www.maine.gov/legis/ofpr/taxinfomain.htm.
8. Maine State Legislature, Office of Fiscal and Program Review, *LD 1968, Governor's 2006 - 2007 Supplemental Budget 122nd Legislature, 2nd Regular Session.*
9. IBID.
10. Maine State Legislature, Office of Fiscal and Program Review, *Compendium of State Fiscal Information*, Jan. 2006.
11. Maine State Legislature, Office of Fiscal and Program Review, *Structural Gap Estimate: March 2006.*
12. State of Maine, Bureau of the Budget, *2006-2007 Biennium Budget.*
13. Maine State Legislature, Office of Fiscal and Program Review, *Compendium of State Fiscal Information*, Jan. 2006.
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Bangor Daily News

Thursday, July 07, 2005

**TABOR tames runaway spending**

Writing about Colorado's Taxpayer Bill of Rights (TABOR), the Bangor Daily News recently editorialized that Coloradans find our tax limitation measure "difficult to accept." Hardly. TABOR was passed by a vote of the people in 1992 and has proven effective in putting the brakes on runaway government spending.

I have been, and remain, a strong supporter of TABOR. I have strongly encouraged taxpayer leaders in other states, including the good folks at The Maine Heritage Policy Center, to work for the enactment of similar measures. TABOR works because it prevents the kind of government spending - and higher taxes - that have plagued Maine and other states for years. Moreover, TABOR requires that we ask taxpayers first before government can spend more of their money, or increase their taxes.

Far from a fiscal strait jacket, TABOR is an economic bulletproof vest. And it has served Colorado well, despite the unrelenting attacks from those who seek unfettered government spending. For example, forecasters at "Economy Dot Com" project Colorado job growth in 2005 at 2.8 percent - one percentage point higher than the national average. The FDIC believes 2005 will be the best year in Colorado for new jobs since 2000.

We expect robust income growth, too. Colorado's per capita personal income ranks eighth in the nation. We're in the top ten states for personal income growth, with an expected growth rate of 5.6 percent, up from under 1 percent in 2002.

So, if TABOR is working so well, why am I joining a bipartisan group of Colorado legislators in asking our voters for permission to keep all the excess funds the state will collect over the next five years?

The answers are simple, and straightforward. First, Colorado, like most states, was hit hard by the recent recession and the 9-11 terrorist attacks. As a result, our state suffered an unprecedented two-year, 17 percent drop in revenue. The TABOR spending caps matter only when there is excess revenue - revenue that we then rebate to taxpayers. We lacked the revenue to hit the TABOR caps, so - until this year - TABOR has not been an issue. We did cut upward of $1 billion from our budget, but that was to have spending match our lesser revenue because we are Constitutionally required to balance our budget.

Secondly, Colorado voters in 2000 approved a Constitutional amendment that requires substantial increases in public education spending - regardless of whether our revenue is up or down. This narrow and difficult requirement, coupled with soaring expenses on the federal Medicaid mandate, deepened our fiscal challenges. Again, TABOR wasn't the problem.

This unprecedented revenue drop did, however, expose an unforeseen flaw in the design of TABOR: it prevents the state budget from recovering in the wake of a recession. While Colorado government was required to cut during the downturn, we have no way to more appropriately fund programs and services now that the economy is stronger. This "ratchet down" effect should be avoided, and Maine's version of TABOR now being considered will include a 20 percent budget stabilization fund that will eliminate the "ratchet down" effect, while still returning 80 percent of revenue over allowable spending to the taxpayers.

So, in order to complete our recovery from the recession, we are asking our voters to allow government to use the additional dollars over the next five years. This isn't due to a problem with TABOR. We're using a key provision of TABOR that allows for flexibility to respond to challenges - provided taxpayers agree. Colorado has seen more than 600 successful TABOR overrides in municipalities, counties, school districts and special districts. This November voters will decide whether the state can retain such revenue for the next five years.

As happened in Colorado when TABOR was originally passed, the big spenders in Maine are out in force predicting all sorts of calamity if your state caps spending and empowers taxpayers. The fact is, TABOR has been a key component in protecting Colorado jobs and our economy, and it could do the same for Maine.

*Bill Owens is governor of Colorado.*

Sun Journal

# TABOR will pay dividends for Maine

Sunday, March 26, 2006

***A similar adoption in Colorado provided backbone when office-holders felt tempted to overspend.***

"Get under the hood and fix the problem."

In 1992 that can-do approach made Ross Perot a presidential contender. Today he is little remembered, while the federal government still has big problems. But the same reforming spirit, the same year, produced a fix-it solution for state government that keeps looking better as time goes by.

It's a powerful idea called the Taxpayer Bill of Rights, or TABOR. Colorado voters, in 1992, fed up with a bloated budget and a lagging economy, tired of the broken promises of politicians, got under the hood and installed TABOR in our state's constitution. The results have been great ever since, for everyone except the special-interest spending lobbyists.

The Taxpayer Bill of Rights has paid dividends in Colorado for job creation, family finances, leaner government, and lower taxes. Its fiscal restraint has provided backbone when office-holders felt tempted. Its flexibility has allowed overrides when special needs arose. No wonder TABOR-type proposals are on the table here in Maine, along with a dozen other states and Washington, D.C. Quite simply, TABOR works.

Colorado's amendment isn't complicated. It requires voter approval before state or local government can impose a tax, increase a tax, or go into debt. It limits this year's increase of government spending to the sum of last year's actual spending, plus inflation and population growth. Any revenue above the limit becomes a tax refund, unless voters approve spending it. These do's and don'ts, along with a 3 percent emergency reserve, are TABOR in brief.

Now about those dividends: Start with more than $3 billion in tax refunds to hard-working Coloradans since the 1990s, mandated by the TABOR formula. Add another half-billion dollars in permanent tax cuts, passed by the legislature to avoid collecting revenues we couldn't constitutionally keep. Include the halt in runaway state spending, which grew at exactly the rate of inflation and population in the decade after TABOR, after growing at twice that pace in the decade before.

Colorado's private-sector jobs, conversely, increased faster than government jobs in the decade after TABOR, after trailing badly in the decade before. Gross state product per capita expanded 20 percent more than the national average in the decade since. Our state now ranks at or near the top in nearly every index of economic vitality and business climate.

As for the flexibility and overrides that I mentioned, those were illustrated in the 2005 election.

As the state rebounds from weak revenues after the dot-com bust and the 9/11 recession, Coloradans at the ballot box said "no thanks" to their scheduled TABOR refund through 2011, and "yes" to a bipartisan legislative plan for extra budget breathing room.

Roads, schools, college and low-income health care will see extra dollars as a result, making up for the recent squeeze. As a budget hawk and former senate leader, I didn't support the plan. But some prominent Republicans, including my fellow conservative, Gov. Bill Owens, did - and 52 percent of the people saw it their way.

Let the record be clear, however. Even though Gov. Owens and I disagreed on this ballot issue, we agree as TABOR supporters. We're both glad that in Colorado these tax and spending decisions are up to all the people, not just a few politicians as in other states. Last year's statewide vote was an example of how the Taxpayer Bill of Rights lives up to its name - letting the folks who rightfully earned the money direct its use - and of this the governor and I feel proud.

So is TABOR perfect? Obviously not. Adam himself, some say, was only a rough draft. Colorado's emergency reserve provision could be improved. Our formula basing each year's new budget on the previous year's actual amount was deemed overly restrictive in tough economic times, so the 2005 vote revised it. A loophole in our spending limit, obtained by teacher unions in an earlier 2000 vote, cries out for revising as well.

Yet our amendment has clearly made all Coloradans better off, and it's logical that something similar, adapted for differing circumstances, could do the same for our friends in Maine.

Thomas Jefferson said that the natural progress of things is for government to increase and liberty to decrease. A good way to fight that tendency, so alarming today, is get under the hood and install a Taxpayer Bill of Rights.

*John Andrews was president of the Colorado Senate from 2003-2005. He is now a fellow of the Claremont Institute, a conservative think tank.*

http://www.sunjournal.com/opinion/letters/20060326075.php#

*January, 2006*

# Comparing Maine & Colorado

| | Maine | Colorado | Data Source |
|---|---|---|---|
| **1990 Est. Population** | 1,227,928 (Rank 40th) | 3,294,394 (Rank 24th) | U. S. Census |
| **2005 est. Population** | 1,321,505 (Rank: 40th) | 4,665,177 (Rank 22nd) | U. S. Census |
| **US Census Projections for 2000-2030 Population Growth (U. S. Average 29.2%)** | 1,411,097 – 10.7% growth (Rank: 33rd in growth) | 5,792,357 – 34.7% growth (Rank: 14th in growth) | U. S. Census |
| **% Growth 90-05** | 7.62% | 41.6% | U. S. Census |
| **Median Age** | 40.7 | 34.5 | U. S. Census |
| **% of population under 5 years old (U.S. Average 7.0%)** | 5.4% (rank: 50th) | 7.5% (Rank: 20th) | U. S. Census |
| **Birth Rate (U. S. Average 14.1)** | 10.2 (Rank: 50th) | 15.2 (Rank 7th) | National Center for Health Statistics |
| **Total Sq. Miles (Land & Water)** | 33,741 (Rank: 39th) | 104,100 (Rank: 8th) | U. S. Census |
| **Total persons per square mile, 1990** | 40 (30,861 sq. land miles) | 32 (103,676 sq. land miles) | U. S. Census |
| **Total Persons per square Mile, 2005** | 43 (30,861 sq. land miles) | 45 (103,676 sq. land miles) | U. S. Census |
| **%age of population in labor force over age 16** | 66.9% (Rank 24th) | 70.7% (Rank 7th) | U.S. Census |
| | | | |
| **Personal Income per Capita** | $29,973 (Rank: 34th) | $36,109 (Rank: 9th) | Bureau of Economic Analysis |
| **Median Household Income** | $42,163 | $48,198 | U. S. Census |
| **Poverty Rate** | 12.30% | 11.10% | U. S. Census |
| **Personal Income Growth 2004-2005 (U. S. Avg. 7.7%)** | 6.7% (Rank 43rd) | 8.4% (Rank 15th) | Bureau of Economic Analysis |
| **Top Marginal Income Tax Rate and Top Tax Bracket for Single Filers** | 8.5% >$18,250 | 4.63% of federal taxable income | Tax Foundation |
| **State Tax Collections Per Capita** | $2,199.51 | $1,532.59 | U. S. Census |
| **State Sales Tax Rate** | 5.0% | 2.90% | Tax Foundation |
| **Property Tax as a Share of Personal Income** | 5.27% | 2.74% | N.H. Office of Business and Economic Development |
| **Gasoline (Fuel) Tax** | $0.252 | $0.220 | Tax Foundation |
| **Tax Burden (combined State & Local as a % of personal income)** | 13.0% | 9.5% | Tax Foundation |

| Demographic | Maine | Colorado | Data Source |
|---|---|---|---|
| | | | |
| **Unemployment Insurance Tax (per employee)** | $174 | $252 | N.H. Office of Business and Economic Development |
| **Unemployment Rate** | 4.9% | 5.5% | Bureau of Labor Services |
| **Worker's Comp as a %age of Covered Wages** | 2.30% | 2.73% | N.H. Office of Business and Economic Development |
| **Total Gross State Product in 2004 in millions of dollars** | $43,336 | $199,969 | Bureau of Economic Analysis |
| **Growth Rate in Real Gross State Product 1997-2004** | 2.2% (Rank: 33rd) | 4.4% (Rank: 5th) | Bureau of Economic Analysis |
| ***Small Business Survival Ranking*** | 49th | 9th | Small Business & Entrepreneurship Council |
| | | | |
| **SAT Scores** | 1006 | 1107 | The College Board |
| **SAT Participation Rate** | 76% | 27% | The College Board |
| **ACT Scores** | 22.6 | 20.3 | ACT |
| **ACT Participation Rate** | 9% | 100% | ACT |
| **Percent with HS Diplomas (25+ years old)** | 88.3% | 88.1% | U. S. Census |
| **Percent with Bachelor's Degree or higher (25+ years old)** | 25.9% | 34.7% | U. S. Census |
| **Average Teacher Salary 02-03** | $38,518 (Rank: 35th) | $42,679 (Rank: 22nd) | American Federation of Teachers |
| **Students enrolled per teacher (US Avg. : 15.7)** | 12.8 (Rank: 4th fewest) | 16.6 (Rank: 38th fewest) | National Education Association |
| **Percentage Change in Public School Enrollment '01-'02 (US Avg. 0.9%)** | -0.6% growth (42nd highest) | 1.3% growth (10th highest) | National Education Association |
| | | | |
| **Health Care Cost Relative to US Average** | 1.1 | 0.9 | N. H. Office of Business and Economic Development |
| ***Medicaid Enrollment*** | 258,686 | 378,416 | Centers for Medicare and Medicaid Services |
| **Percent on Medicaid** | 19.64% | 8.22% | Centers for Medicare & Medicaid Services & U.S. Census |
| ***Percent not covered by Health Insurance*** | 10.4% | 17.2% | U. S. Census |

TAX FOUNDATION Since 1937

March 25, 2005

# An Analysis of Misleading Attacks on Colorado's Taxpayer Bill of Rights

by Chris Atkins

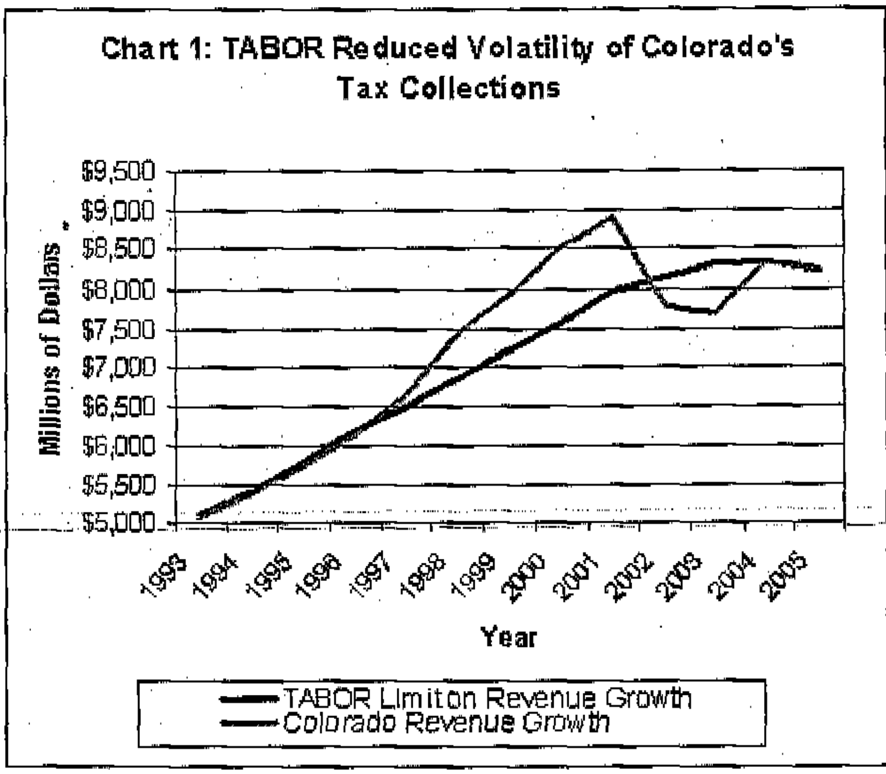
## I. Introduction

The state of Colorado is under assault. Opponents of Colorado's Taxpayer Bill of Rights (TABOR) are waging a well coordinated but misleading attack on Colorado's reputation. This attack takes the form of a number of rankings and statistics that purport to show that the Taxpayer Bill of Rights has decimated Colorado. These rankings and statistics are based on the assumption that if Colorado ranks poorly on things like the adequacy of prenatal care and education spending, then Colorado is failing to adequately care for and educate its citizens, and that the Taxpayer Bill of Rights must be to blame. A closer look at the attacks shows that they fail to prove that the amount a state spends on health care and education determines quality, and they also fail to tell the whole truth about the rankings and statistics of the state of Colorado.

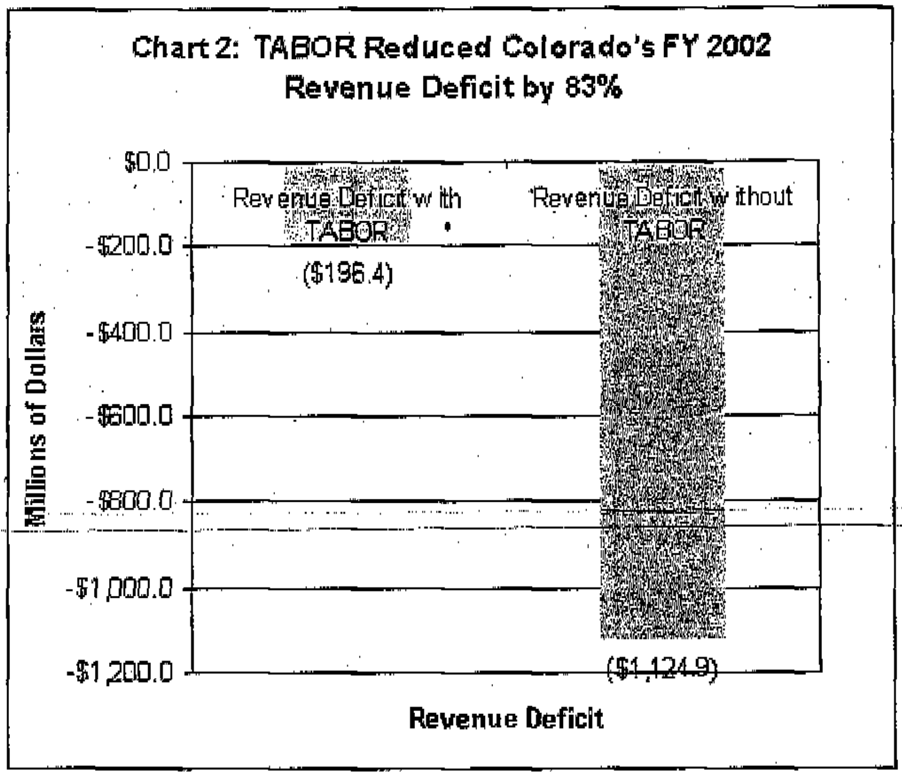
## II. Budget Problems

**The claim**: The Taxpayer Bill of Rights magnified the effect of the recession on the Colorado budget, forcing more than $1 billion in cuts.[1]

**The facts**: The Taxpayer Bill of Rights allows Colorado revenues to grow at the same rate as population plus inflation, requiring revenues in excess to be returned to the taxpayers. When revenue growth dips below the allowed rate, the budget must "ratchet down" its spending to the level of revenues, unless tax increases are approved. This happened in every state where revenues declined, since all states except Vermont are constitutionally required to balance their budgets. What makes Colorado different, though, is that the impact of the revenue decline was mitigated by the Taxpayer Bill of Rights in the good years (see chart 1). Where most states spent all or nearly all available revenues, Colorado had to return surplus revenues to the taxpayers. Thus, the revenue decline in Colorado did not hurt as much because the state was not allowed to spend all the money it collected during the good times. In fact, had Colorado spent all surplus revenues, the deficit would likely have been much worse.




In 2001, Colorado received $8.9 billion in revenues, but had to return over $1 billion because TABOR only allowed the state to keep and spend $7.9 billion.2 Thus, when revenues dropped to $7.8 billion in 2002, the state's revenue deficit was actually $196.4 million (the difference between actual revenues in 2002 and the TABOR limit in FY 2001) instead of $1.124 billion (the difference between actual revenues in 2002 and 2001). (See chart 2.). States without tax and spending limits would have spent almost the entire $8.9 billion the previous year, making the revenue decline much more painful (by forcing the states to cut spending). TABOR saved Colorado from a more severe revenue shortfall and smoothed Colorado's spending over the business cycle.




The charge that the Taxpayer Bill of Rights magnified the effect of the budget crisis also overlooks the role that mandated spending increases played in worsening Colorado's deficit. Amendment 23, passed by voters in 2000, requires the state to increase education spending by the rate of population growth plus one percent every year from 2001-2011—regardless of whether the state's revenues increase or decrease. It carves out a special source of funds for education—7.2 percent of personal income tax revenues—and places those funds in a special education trust.3 Amendment 23 puts a major squeeze on other parts of Colorado's budget, like higher education, which are funded from the part of the budget still subject to the limits of the Taxpayer Bill of Rights.Even if we grant the claim that the Taxpayer Bill of Rights somehow can be blamed for starving Colorado of needed revenues, it allows state lawmakers to spend above and beyond its limits if the voters approve. The voters can even approve statutory tax increases to raise revenues above and beyond Colorado's current revenue stream. All lawmakers have to do is ask permission to raise taxes.

**The claim:** Because TABOR required very large tax refunds in the boom years, the state was unable to put money into a rainy day fund or make other investments that could have eased the crisis when it arrived.4

**The facts:** The Taxpayer Bill of Rights did not stop Colorado from saving money in a rainy day fund. Colorado already has several reserve funds at its disposal, including a statutory reserve equal to 4 percent of appropriations, to be used in case of revenue shortfalls (though the money has to be replaced in the future).5 Lawmakers spent a large portion of this reserve on capital construction, an unsustainable course during a revenue shortfall.6 The Taxpayer Bill of Rights also requires the state to set aside an emergency reserve fund, to be used in case of natural disasters. Finally, the Taxpayer Bill of Rights allows Colorado lawmakers to ask the voters to keep surplus revenues to use in a rainy day fund.

**III. Health**

**The claim**: *Colorado ranks 48th in prenatal care.*7

**The facts**: Colorado ranks as the 13th healthiest state in the country, according to a 2004 survey conducted by United Health Foundation.8 Prenatal care was one of 18 sub-rankings used to compile the total ranking, and the only area where Colorado was cited for needing improvement.9 In every single other area of health measured by the rankings—obesity, smoking, crime, disease, poverty, etc.— Colorado ranked in the upper or middletier of all states. If you accept these rankings as adequate measures of a state's health, then Colorado is a healthy state. Furthermore, nothing indicates that the Taxpayer Bill of Rights caused the low ranking on prenatal care, or that a low ranking means that Colorado is failing to provide adequate prenatal care.

**The claim**: *The share of low-income individuals enrolled in Medicaid is lower than in all but five other states.*10

**The facts**: To the extent that the level of Medicaid enrollment and payment per enrollee connote high quality health care (and there are serious questions about whether they do), Colorado overall compares favorably to other states. Colorado had the second-fastest increase in Medicaid recipients (45 percent) of any Rocky Mountain state between 1996 and 2001.11 Colorado's increase in Medicaid recipients was also well above the national average of 27 percent.12 Furthermore, Colorado's payment per Medicaid recipient was third among Rocky Mountain states in 1990 ($2,705) but rose to first among Rocky Mountain states in 2001 ($4,969).13

**The claim**: The percentage of low-income Colorado children who lack health insurance rose *from 15 percent in 1991-92 to 27 percent in 2002-03.*14

**The facts** : While the percentage of low-income children without insurance did rise in Colorado over the period, studies by both the Centers for Medicare and Medicaid Services (CMS) and the Kaiser Commission have concluded the rise has nothing to do with tax and spending restrictions in the Taxpayer Bill of Rights. CMS attributes the rise of uninsured children in the 1990s to the fact that employers are dropping their coverage.15 The Kaiser Commission says that many children are uninsured simply because their parents are not aware they are eligible for Medicaid coverage.16 Neither reason has anything to do with the Taxpayer Bill of Rights in Colorado. Furthermore, Colorado has respectful rankings on other measures of covering the uninsured. Colorado's number of persons under 65 that lack health insurance is 17.8 percent, just above the national average of 17.2 percent.17 Among Rocky Mountain states, Colorado has the second-lowest number of uninsured persons under 65, up from the third-lowest number in 1987.18 Assuming that these rankings have anything to do with the quality of health care received by Colorado's citizens, or that the Taxpayer Bill of Rights has any impact on these rankings, Colorado compares favorably to other states.

**IV. K-12 Education**

**The claim**: Colorado teachers make less than the national average, and are paid poorly relative to the private sector.19

**The facts**: Colorado ranked 22nd in average teacher salary in 2003, with salaries up 5 percent from 2002.20 Colorado also had the highest average instructional salary of any state in the Rocky Mountain region during 2003-2004.21 While there is little evidence that average teacher salary correlates with education outcomes, Colorado teachers are not underpaid by any reasonable standard.

**The claim**: Colorado ranks 47th in K-12 education spending as a share of personal income.22

**The facts**: In a study by the National Education Association (NEA) on nineteen different measures of school expenditures, Colorado ranked, on average, 27th in school spending.23 The measure of education spending as a share of personal income is only one of these nineteen rankings, which include measures such as education spending per student enrolled and per capita education spending. Colorado's ranking of 4th is its lowest ranking in any of the nineteen separate ranking tables. Colorado averages 27th in all nineteen tables, doing very well in per capita state and local capital spending for higher education (6th) and per capita state and local capital spending for K-12 (7th). Colorado is, by these measures, an average state when it comes to education spending, not near the bottom.

Furthermore, the amount a state spends does not guarantee a quality education. Research by the American Legislative Exchange Council (ALEC) shows that there is virtually no correlation between how much a state spends on education and the scores achieved by its students on standardized tests.24 For instance, the District of Columbia ranks second in per-pupil expenditures, but ranks last in test scores on the NAEP, ACT and SAT.25 If one only looks at per-pupil expenditures, one could erroneously conclude that the District of Columbia is providing a good education for its students.

**The claim**: Colorado's high school graduation rate fell from 76 percent in 1990 to 70 percent in 2004.26

**The facts**: Looking at graduation rate data provided by the Colorado Department of Education (CDE) paints a different picture. According to data collected and reported by CDE, Colorado's graduation rate in 1997 (the year Colorado taxpayers started receiving automatic tax refunds under the Taxpayer Bill of Rights) was 78.5 percent.27 In 2000, the graduation rate reached 80.9 percent.28 In 2003, the graduation rate was measured at 83.6 percent.29 Thus, looking at graduation rates as measured by Colorado's own education agency, Colorado is steadily graduating more students under the Taxpayer Bill of Rights, not fewer.30

It is true that Colorado's high school graduation rate fell by 6 percent from 1990 to 2004, as reported by the United Health Foundation, which relied on the National Center for Education Statistics for its graduation rate data. However, the rate was as low as 68 percent in 1998 and has been edging back up in recent years (to the current 70 percent).[31] Furthermore, United Health Foundation reports that the overall graduation rate in the United States is declining, and has been declining since 1990—two years before the Taxpayer Bill of Rights was enacted.[32] Colorado is following the national trend, and no evidence is presented to suggest that the Taxpayer Bill of Rights is to blame, or that a high graduation rate necessarily implies that the state is educating its students well. Colorado compares favorably to other states in other graduation statistics. Colorado's 70 percent graduation rate in 2004 (up from 69.3 percent in 2003), according to the United Health Foundation, ranked 30th among all states, down only two spots from 28th in 1990.[33] Colorado also ranked 2nd in the percentage increase in high school graduates (59.3 percent) from 1992-1993 (the school year during which the Taxpayer Bill of Rights became law) to 2002-2003.[34] Furthermore, Colorado overall ranks well in test scores: 13 th on NAEP, 42nd in ACT, and 19th on SAT.[35] To the extent that these measures allow us to say that Colorado is educating its students well, it appears that Colorado compares favorably to other states.

## V. Higher Education

**The claim:** Colorado ranks 48th in the nation for state funds for higher education per $1,000 of personal income.[36]

**The facts:** Colorado does rank 48th among states in funds spent on higher education as a share of personal income. It is misleading, however, to use this ranking to suggest that Colorado has a poor higher education system, and even more misleading to suggest that it has anything to do with the Taxpayer Bill of Rights. Colorado also ranks 2nd in total higher-ed instruction staff per 10,000 students.[37] Colorado ranks 12th in total higher-ed instructional staff per 10,000 population.[38] Colorado also had very high growth in per capita personal income from 1993-2003 (4.6 percent), exceeding the national average of 4.0 percent.[39] The Taxpayer Bill of Rights has also kept tuition increases at Colorado universities in check.[40] According to information from the University of Colorado, Colorado residents pay $1,200 less in tuition than residents of other states at comparable institutions.[41] Residential tuition, according to the University of Colorado, has been falling steadily since 1991, the year before the Taxpayer Bill of Rights was enacted.[42]

## VI. Conclusion

Contrary to the assertions of its opponents, the Taxpayer Bill of Rights has not decimated Colorado. In other measures of fiscal standing, not mentioned by the opponents of the Taxpayer Bill of Rights, Colorado compares very favorably to other states. Colorado's per capita tax burden is the tenth lowest in the nation,[43] ranks as the 8th friendliest business-tax climate (the highest ranking of any state with a sales tax and a corporate and personal income tax),[44] and ranks as the state with the 2nd highest level of economic freedom.[45] It is simply inaccurate to say that Colorado is a sub-standard state based on selectively cited statistics and national rankings, and even more inaccurate to blame the Taxpayer Bill of Rights for any perceived inadequacies.

**Footnotes**

1. *See* Nicholas Johnson and David Bradley, *Public Services and TABOR in Colorado*, Center on Budget and Policy Priorities (January 2005), located at http://www.cbpp.org/1-13-05sfp2.htm.
2. *See The TABOR Surplus and TABOR Refund Mechanisms*, Colorado Office of State Planning and Budget (September 2004), located at http://www.state.co.us/gov_dir/govnr_dir/ospb/specialreports/taborsurplus-sep2004.pdf.
3. *See* Mike Coffman, *The Budget and the Constitution: Amendment 23*, 4 Tresur E-Notes 16 (April 23, 2002), located at http://www.treasurer.state.co.us/news/enotes/2003/budget__the_constitution_Amendment23.htm.
4. *See* Nicholas Johnson and Karen Lyons, *Is Colorado's TABOR Creating Jobs?*, Center on Budget and Policy Priorities ( 1/13/2005), located at http://www.cbpp.org/1-13-05sfp.htm.
5. *See* Chris Ward, *The Big Picture—An Overview of State Finances*, Colorado Legislative Council Issue Brief Number 98-4 ( 1/30/1998), located at http://www.state.co.us/gov_dir/leg_dir/lcsstaff/research/issuebrf-bigpic.htm.
6. *See TABOR Legislative Handbook*, at 2, Independence Institute (January, 2000).
7. *See* Johnson and Bradley, supra note 1.
8. http://www.unitedhealthfoundation.org/shr2004/states/Colorado.html
9. Incidentally, Colorado ranked 16 th in infant mortality even though it was 48 th in providing pre-natal care.
10. *See* Johnson and Bradley, supra note 1.
11. Calculations based on data on Medicaid recipients published by Centers for Disease Control, National Center for Health Statistics, Health, United States, 2004, Table 151.
12. *See* Id.
13. Id.
14. *See* Johnson and Bradley, supra note 1.
15. *See* CMS website, located at http://www.cms.hhs.gov/schip/default.asp?.
16. *See The Uninsured: A Primer*, at 5, Kaiser Commission on Medicaid and the Uninsured (November, 2004), located at http://www.kff.org/uninsured/loader.cfm?url=/commonspot/security/getfile.cfm&PageID=50811.
17. *See* CDC statistics, supra note 11, at table 153.
18. Id.
19. *See* Johnson and Bradley, supra note 1.
20. *See* American Federation of Teachers' salary statistics, located at http://www.aft.org/salary/2003/download/2003Table1.pdf.
21. *See* National Education Association statistics on teacher salary, summary table G, located at http://www.nea.org/edstats/images/04rankings.pdf.
22. *See* Johnson and Bradley, supra note 1.
23. Author's calculation of average rankings in NEA study on school expenditures, infra note 34.
24. *See* ALEC Report Card on Education, infra note 35.
25. *See* Id. at 17.
26. *See* Johnson and Bradley, supra note 1.
27. http://www.cde.state.co.us/cdereval/download/pdf/4YearTrendGradRates.PDF.
28. *See* id.
29. http://www.cde.state.co.us/cdereval/rv2003GradLinks.htm.

30. CDE does not analyze where Colorado ranks among other states in graduation rates. For the purposes of this analysis, however, this is irrelevant, since TABOR opponents are trying to show that TABOR is leading to lower graduation rates in Colorado.
31. *See* Jay P. Greene, *High School Graduation Rates in the United States*, Black Alliance for Educational Options, Table 1 (November, 2001), located at http://www.manhattan-institute.org/html/cr_baeo.htm.
32. http://www.unitedhealthfoundation.org/shr2004/components/hsgrad.html ("The national average is 68.3 percent, up 1.0 percent from the past year but lower than the 1990 rate of 72.9 percent."). *See also* graphic on lower left corner of page.
33. *See* United Health rankings, supra note 8.
34. *See* National Education Association statistics on graduation, located at http://www.nea.org/edstats/images/04rankings.pdf.
35. *See* ALEC Report Card on Education, located at http://www.alec.org/meSWFiles/pdf/2004-Report-Card-on-Education.pdf.
36. *See* Johnson and Bradley, supra note 1.
37. NEA educational statistics, supra note 34, at table C-3.
38. *See* id. at table C-4.
39. *See* Bureau of Economic Analysis BEARFACTS 1993-2003, located at http://www.bea.doc.gov/bea/regional/bearfacts/stateaction.cfm.
40. *See Owens Threatens Veto of Proposed College Tuition Hikes*, Associated Press (3/5/2005, located at http://news4colorado.com/colorado/CO-XGR--HigherEducati-dn/resources_news_html ("The Taxpayers Bill of Rights, a constitutional amendment capping taxes and spending, has previously limited tuition increases because any extra tuition might trigger a refund required if those caps are exceeded.").
41. *See* Question and Answer with Chancellor of the University of Colorado, located at http://www.colorado.edu/chancellor/quality4colo/quality4coloQA.html.
42. *See* id.
43. http://www.taxfoundation.org/colorado/statelocal-co.html
44. *See* Scott Hodge and Scott Moody, *2004 State Business Tax Climate Index*, Tax Foundation (2004), at table 2. 45. *See* Ying Huang, Robert McCormick, and Lawrence J. McQuillan, *Economic Freedom Index: 2004*, Pacific Research Institute for Public Policy (2004).

**MHPC PRESS RELEASES AS AN INDICATOR OF MAJOR PURPOSE**
**Nearly Two-Thirds of Output to Promote TABOR in 2006**

Since the start of 2005, Maine Heritage Policy Center has put out, on average, one press release a week - 52 in 2005; 50 so far in '06. These address MHPC's week-to-week interests and so cumulatively provide an indication as to the overall focus of their efforts. This same kind of media analysis technique is typically used to determine the "mix" of content in broadcast programming, and readily adapts to reveal MHPC's major purpose.

MHPC's mission statement indicates that the organization's efforts are divided between three primary areas of concern: economy/taxation, education and health care. Sorting the releases into these basic categories, education is non-existent. However, other areas such as private accounts for Social Security have surfaced. Administrative and organizational announcements (eg. new hires, speakers for fundraiser events, etc.) make up "other".

In 2005, the breakdown for the 52 total releases is as follows:

| | |
|---|---|
| Healthcare: | 20 = 38.5% |
| Economy/Taxation: | 15 = 28.8% |
| Other/Admin: | 12 = 23.0% |
| Social Security | 5 = 9.6% |

In 2006, the balance has shifted significantly, with healthcare dropping significantly as Economic/Taxation issues dominate – twice the percentage of healthcare in 2005:

| | |
|---|---|
| Economy/Taxation: | 39 = 78% |
| Healthcare: | 7 = 14% |
| Other: | 4 = 8% |

This shift from 2005 reflects the primacy of the TABOR efforts, though not all of the economy/taxation releases are devoted to TABOR. These break down into three categories. First, there are the TABOR releases where it is the subject and is mentioned by name. Second, TABOR is not mentioned, but the talking points put forth in the release were used as part of the TABOR promotion (i.e. "Government Spending and Economic Development Connection Questioned" 8-15-06). The last category is economic/taxation releases that are not TABOR related.

| | |
|---|---|
| TABOR by name: | 14 = 35.9% |
| TABOR talking point: | 18 = 46.2% |
| Non TABOR: | 7 = 17.9% |

**CONCLUSION:**

Subtracting the non-TABOR economic and taxation releases, 32 out of 50 – fully 64% of the total output - were part of the MHPC's promotional efforts for passing TABOR. In terms of these releases, promoting TABOR has been MHPC's major purpose in 2006.

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| 11/29/2006 | 11/29/06: Report: Local Government Can Thrive with Spending Limits |
| 10/26/2006 | 10/26/06: Tax Experts: High Taxes on Maine Employers Hurt Job Creation and Wage Growth |
| 10/17/2006 | 10/17/06: Business Survey: Employers Support the Taxpayer Bill of Rights |
| 10/11/2006 | 10/11/06: Analysis: Brookings Report Contains Inaccurate Personal Income Data |
| 10/5/2006 | 10/5/06: MHPC Agrees with Brookings Findings but Disagrees with Proposed Solutions |
| 10/4/2006 | 10/4/2006: Policy Center Releases Comprehensive Maine Economic Data Book |
| 10/3/2006 | 10/3/06: Report from D.C. Special Interest Group Severely Flawed |
| 9/28/2006 | 9/28/06: Survey: Maine Cost of Living Great than National Average |
| 9/27/2006 | 9/27/06: Analysis: What Would a National Average Level of Taxation Mean to Mainers? |
| 9/26/2006 | 9/26/06: Maine Personal Income Growth Continues to Trail National Average |
| 9/21/2006 | 9/21/06: Former Colorado State Senate President to Address Luncheon Group |
| 9/19/2006 | 9/19/06: Analysis: Low Tax States Economically Outperform High Tax States |
| 9/15/2006 | 9/15/06: Heather Noyes Joins MHPC as Director of Development |
| 9/12/2006 | 9/12/06: Report: Taxpayer Bill of Rights will mean more money in Mainers' pockets |
| 9/11/2006 | 9/11/06: The Maine Heritage Policy Center to Hold a Press Conference |
| 9/8/2006 | 9/8/06: Legal Analysis: Taxpayer Bill of Rights is Constitutional and Requires no Budget Cuts |
| 9/4/2006 | 9/4/06: The Honorable Newt Gingrich to Address MHPC Annual Luncheon |
| 8/29/2006 | 8/29/06: Increased Maine Uninsured Rate a Symptom of a Failed Policy |
| 8/15/2006 | 8/15/06: Government Spending and Economic Development Connection Questioned |
| 8/11/2006 | 8/11/06: Think Tank Unveils "Maine Spend-O-Meter" for FY2007 |

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| 8/10/2006 | 8/10/06: Report Highlights Five Looming Maine Medicaid Challenges |
| 8/4/2006 | 8/4/06: Analysis Finds Maine Level of Taxation Increased |
| 8/2/2006 | 8/2/06: The Honorable Newt Gingrich to Address MHPC Annual Luncheon |
| 7/26/2006 | 7/26/06: Analysis Finds Maine Sales Tax In-Line with National Average |
| 6/23/2006 | 6/23/06: Report: Maine and Louisiana the Only States to see 2005 Economic Decline |
| 6/21/2006 | 6/21/06: Think Tank Sets Record Straight on Taxpayer Bill of Rights |
| 6/20/2006 | 6/20/06: BEA Data Reveals Maine Experiencing Anemic Growth |
| 6/14/2006 | 6/14/06: Demographic Changes Pose a Challenge for Maine |
| 6/6/2006 | 6/6/06: Death Tax Elimination to Help Maine Employers |
| 5/23/2006 | 5/23/06: Analysis Reveals Uninsured Purchasing HSA Plans |
| 5/11/2006 | 5/11/06: Think Tank Touts New Web Features |
| 5/5/2006 | 5/5/06: Economist: The Taxpayer Bill of Rights is the Cure for Maine's High Taxes |
| 5/4/2006 | 5/4/06: Mainers Get Opportunity to Vote on Economic Future |
| 5/4/2006 | 5/4/06: USA TODAY: Maine lags New England in Long-Term Income Growth |
| 4/4/2006 | 4/4/06: Taxes Rising: Economist Finds Maine Taxes Grow Faster than Personal Income |
| 3/30/2006 | 3/30/06: MHPC Releases "Beyond the Supplemental Budget" |
| 3/28/2006 | 3/28/06: BEA Reveals Maine Personal Income Growth Trails National Average |
| 3/13/2006 | 3/13/06: MHPC Releases New Individual Income Tax Report |
| 3/9/2006 | 3/9/06: Think Tank Comments on Alternative SOP Tax Proposal |
| 3/9/2006 | 3/9/06: MHPC Comments on 2006 Bond Proposal |

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| 3/7/2006 | 3/7/06: MHPC Releases Latest DirigoWatch Publication |
| 2/27/2006 | 2/27/06: Think Tank Addresses Inaccuracies in Editorial Column |
| 2/23/2006 | 2/23/06: MHPC Makes Policy Recommendation: Fully Repeal Business Equipment Tax and BETR |
| 2/21/2006 | 2/21/06: November Referendum: Maintaining Status Quo vs. New Direction |
| 2/17/2006 | 2/17/06: Disappointing Economic News Reinforces Need for Fiscal Prudence |
| 2/14/2006 | 2/14/06: Dirigo Savings Offset Payment a Bad Deal for Mainers |
| 2/7/2006 | 2/7/06: MHPC Releases State and Local Tax Collections Paper |
| 2/2/2006 | 2/2/06: MHPC Releases Latest DirigoWatch Publication |
| 1/27/2006 | 1/27/06: MHPC Comments on 2006 Development Report Card |
| 1/18/2006 | 1/18/06: MHPC Urges Fiscal Prudence While Dealing with Budget Surplus |
| 12/20/2005 | 12/20/05: MHPC Hires Vice President of Policy and Senior Economist |
| 12/14/2005 | 12/14/05: The Maine Heritage Policy Center Elects New Officers |
| 12/7/2005 | 12/7/05: Senator Snowe: Consider local Maine economy |
| 12/6/2005 | 12/6/05: MHPC to Host Annual Freedom and Opportunity Gala Dinner |
| 12/2/2005 | 12/2/05: MHPC Releases Maine by the Numbers 2005 Edition |
| 11/22/2005 | 11/22/05: MHPC to Host Annual Freedom and Opportunity Gala Dinner |
| 11/9/2005 | 11/9/05: Maine Now Has Biggest Medicaid Population in Nation |
| 11/2/2005 | 11/2/05: Colorado Vote Proves TABOR Works |
| 10/31/2005 | 10/31/05: Savings Offset Payment to Make Maine Health Insurance More Unaffordable |
| 10/31/2005 | 10/31/05: Policy Center to Hold Conference on Health Insurance Reform |

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| 10/20/2005 | 10/20/05: Report Reveals Maine Would Benefit From TABOR |
| 10/18/2005 | 10/18/05: Small Business Survival Study Reveals Maine Heading in Wrong Direction |
| 10/17/2005 | 10/17/05: Policy Center Responds to Grow Smart Maine/Brookings Institute Study |
| 10/5/2005 | 10/5/05: Ohio's Best Rx More Effective at Lowering Prices than Maine Rx Plus |
| 9/23/2005 | 9/23/05: Maine Delegation Should Follow Bipartisan Lead on 'Pork' Give Back |
| 9/21/2005 | 9/21/05: Policy Center Turns Up Heat on Dirigo Health Care Program |
| 9/13/2005 | 9/13/05: Think Tank Urges Restraint with Budget Surplus |
| 8/26/2005 | 8/26/05: Health Savings Accounts an Affordable Alternative to DirigoChoice |
| 8/16/2005 | 8/16/05: Muskie Survey Shows Dirigo's Failure and High Cost to Taxpayers |
| 8/4/2005 | 8/4/05: Report Gives Maine an 'F' for Restraints on the Growth of State Spending |
| 7/29/2005 | 7/29/05: Policy Center Comments on the Bond Package |
| 7/13/2005 | 7/13/05: Policy Center Comments on Potential MaineCare Reforms |
| 7/8/2005 | 7/8/05: Report Reveals Three Unsustainable Maine Medicaid Trends |
| 6/30/2005 | 6/30/05: Policy Center Calls a Spade a Spade |
| 6/22/2005 | 6/22/05: Think Tank Hosts Social Security Reform Policy Address |
| 6/17/2005 | 6/17/05: Policy Center to Participate in Roundtable Discussion on Property Taxes in New England |
| 6/14/2005 | 6/14/05: Think Tank Announces Staffing Changes |
| 6/7/2005 | 6/7/05: Think Tank Represents Maine at National TABOR Summit |
| 5/26/2005 | 5/26/05: The Maine Heritage Policy Center Unveils "Maine Spend-O-Meter" |

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| 5/25/2005 | 5/25/05: Think Tank Releases New Study on Cost-Effective Climate Change Policy |
| 5/23/2005 | 5/23/05: Internationally Recognized Expert to Address Portland Regional Chamber's Public Policy Committee |
| 5/20/2005 | 5/20/05: "Tough Choices" Price Tag Nearly Equal to Cost of HSA Conformity |
| 5/18/2005 | 5/18/05: Policy Center Promotes Virtues of Personal Retirement Accounts |
| 5/12/2005 | 5/12/05: Free-Market Health Insurance Reform Introduced |
| 4/11/2005 | 4/11/05: National Report Reveals Devastating Maine Tax Burden |
| 4/1/2005 | 4/1/05: Maine Medicaid Program Grows by 33% Today |
| 3/30/2005 | 3/30/05: Policy Center Hosts U. S. Cabinet Secretary at Social Security Event Today |
| 3/29/2005 | 3/29/05: Democrats Launch "Operation Change the Subject" |
| 3/24/2005 | 3/24/05: Think Tank Offers Solution to Budget Borrowing and Tax Increases |
| 3/17/2005 | 3/17/05: Workers, Retirees Gain from Social Security Reform |
| 3/11/2005 | 3/11/05: Policy Center Publishes Analysis of Individual Health Insurance Premiums |
| 3/10/2005 | 3/10/05: Policy Center Announces Social Security Reform Symposium; Releases 3rd Report |
| 3/9/2005 | 3/9/05: Policy Center Challenges Legal Premise of Lawmaker's Drug Importation Bill |
| 3/2/2005 | 3/2/05: Cato Tempers Impact of Baldacci's Grade |
| 2/22/2005 | 2/22/05: Center Launches New Publication - Social Security in Maine |
| 2/16/2005 | 2/16/05: Policy Center Determines Governor's Reversal on Medicaid Expansion was Unavoidable |
| 2/14/2005 | 2/14/05: Policy Center Releases Alarming Report on Maine Medicaid |
| 2/11/2005 | 2/11/05 POLICY ALERT: Canadians Rebuff Governors' Request on Drug Importation |
| 2/8/2005 | 2/8/05: Policy Center Calls on Legislature to Investigate Health Insurance Premium Inequities |

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| 2/3/2005 | 2/3/05: New Federal Legislation Would Lower Maine Health Insurance Costs |
| 1/28/2005 | 1/28/05: LD 1's Real Impact on State Spending Limits – "Enroning" at its Best |
| 1/11/2005 | 1/11/05: New DirigoWatch Highlights Small Business Concerns |
| 1/6/2005 | 1/6/05: Think Tank Releases Budget Check List |
| 9/10/2004 | Taxpayer Bill of Rights Challenged by Governor's Office |
| 6/7/2004 | Maine will feel loss of two "great conservatives" |
| 5/28/2004 | And the Leadership Fiddled While Maine Burns.... More Bad News: Maine Bond Rating Downgrade |
| 5/6/2004 | Senate Dems Plan to Raise Sales Tax |
| 3/17/2004 | 3/17/04: TAX INCREASES SIGNIFICANT DESPITE CLAIMS BY GOVERNOR BALDACCI |

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# WGAN-AM INTERVIEW WITH BILL BECKER 11/30/06

Ken Altshuler -.....the Executive Director, Bill Becker. Hi, Bill How are you?

Bill Becker- I'm great guys. How are you?

Mike Violette - Bill; good morning.

BB-Good morning, Mike.

MV -Are you a crook?

BB- (Laughs.)

KA -Now, be careful, you do not want him to say, "I am not a crook," do you?

MV -So, give us, give us a background on this if you can Bill, the best way you understand what Mr. Lindemann, who apparently, in my opinion, has a lot of free time on his hands, is accusing you of doing.

BB-Well, let's go back even further. Mr. Lindemann has been after the Maine Heritage Policy Center since at least 2004 when he filed complaints with the IRS about uh, what we were up to and the IRS basically sent me an apology letter last year saying, "Sorry for any inconvenience. Obviously, you're doing everything by the book." So this has been a long-standing issue with Mr. Lindemann going after organizations like ours, which advance free market and conservative public policies.

But to the point of the recent issue, he basically was making the case that since we had been out there talking about the Taxpayer Bill of Rights which we had written back in 2004, that we were obligated to file certain forms in the State of Maine because we were expressly advocating for the passage or the defeat of the Taxpayer Bill of Rights. Our position has been and remains that we were not expressly advocating for the passage of Taxpayer Bill of Rights. We were disclosing all of our research, analysis and findings that we believe a tax and expenditure limitation law, that we wrote, would be a good thing for the State of Maine.

KA -(Laughs.) Bill, hold on a second, Bill. I like your....wait, hold on, hold on, Bill....

BB-Ken, listen. Here is a clear delineation. Do you remember going back into the campaign of the fall with the Baldacci and the Woodcock commercials?

KA -Yep.

BB-....and they had a debate about whether or not they triggered the matching funds because whether they were expressly advocating....

KA -(Interrupts.) And I said they clearly did.

BB-Right and the Ethics Commission said, "Look, there is a fine line whether if you say, "Vote YES or One" or "Vote YES for Baldacci." That's the fine line test that...."

KA -Bill...

BB-....that they have put down.

KA - I-Bill, hold on a sec. First of all, the Election Commission was wrong. Those ads absolutely touted Chandler Woodcock and John Baldacci....

BB-You said that the Supreme Court ruling was wrong earlier this year, too....

KA -Bill, hold on a sec, let me ask my question....Trust me, you'll talk more than I will. Hold on a sec...You said that you don't expressly advocate the passage of TABOR. Now....

BB-Correct.

KA -Now, Bill, you were the spokesperson on the debates for TABOR.

BB-Absolutely. Absolutely.

KA -You...wait, wait Bill, hold on. Are you sitting here and saying to me that the MHPC and Bill Becker as representative did not expressly advocate the passage of TABOR?

BB-Absolutely. We did not expressly advocate the passage of TABOR. We said that we thought it was a good idea. We thought we wrote it because it was a good idea. We said that the ideas, the research, the analysis behind it showed that it would be a tremendous success for the State of Maine in terms of its economy. But I never once said, "Vote YES on 1." I never once said "Vote yes on TABOR." There's a bright line difference.

MV -Bill, I haven't listened to the tape but I know we have it in our archives somewhere. You mean when we had you and Dennis Bailey here for the debate, when we gave you your one-minute wrap-up time you didn't say, "Vote YES on ONE"?

BB -I didn't and and we said, we joked about it and Dennis actually joked about it. He said, "Cause Bill <u>can't</u> say, "Vote Yes on ONE" and he was absolutely correct.

KA - But but Bill, we're speaking to Bill Becker by the way.....

MV -We're splitting hairs......

KA -Yeah, from the MHPC....

BB-I understand that but that's why we have this problem with this law.

KA -But Bill, hold on a sec…..

BB-This law is vague in terms of the way that it…

KA -Bill…

BB-….is analyzed.

KA -Bill, when you, when they had an ad showing Chandler Woodcock in thirty seconds walking around and they say that's not touting Chandler Woodcock. Gonna be fair to say/ the very same (muffled words) with John Baldacci. And Mike and I were very forthright that both of us said that these ads were touting candidates. Now, Bill, you were the person debating for the passage of TABOR. I understand that you were…..

BB-I was debating the merits of, the value of the Taxpayer Bill of Rights.

KA -Well, I never heard you say one thing that was a con to TABOR. You weren't saying the pros and cons…you weren't educating me, Bill, you were saying, you wrote TABOR! Bill, you wrote it! How could you say you're not an advocate for it?

BB-I didn't say I wasn't an advocate for it. I was an advocate for it.

KA -But you did not expressly advocate for it.

BB-It was a difference. Were you expressly advocating for it? No. And I agree with you. There ia ambiguity in the law that needs to be resolved. And that's the fundamental issue that needs to be resolved here. Not whether or not some obscure campaign law is sitting and…and trying to attack the MHPC. The Katahdin Institute was out there arguing against the Taxpayer Bill of Rights….The Maine Center for Economic Policy was out there arguing against. These are all 501(c)3s. Obviously, we are policy organizations. This is what we do. We do public policy. The difference is, we were not buying ads. We were not buying print ads, television ads, radio ads saying, "Vote yes or no," That's the difference. That's the bright line difference.

MV -Now, Carl Lindemann, who of course used to work here and we should make that perfectly clear, at one time as a part time fill-in host, showed up the other day, I guess to the Ethics Commission, had a bunch of what he said was evidence. Um, what do you know about that evidence, Bill and if he did have those, how damning is that for you?

BB- It's not. It's not damning at all. I mean, there were, there were people that knew that we had written the Taxpayer Bill of Rights. There was a donor that said, "Hey, this is for your work on the Taxpayer Bill of Rights" and great, obviously, we were working on it. Obviously, we wrote it. I mean, how could you hide it when you're out there doing as many debates and public forums as we were doing?

Of course, we were talking about it. We believe that it's a good public policy solution. And so Mr. Lindemann is trying to say, "Aha! Here's a gotcha moment." The truth of the matter is there is no gotcha moment. If there's any gotcha moment, we wouldn't have been out talking about it publicly.

KA -We're speaking to Bill Becker from the MHPC. A self-proclaimed consumer advocate has said that they have violated the election laws by not reporting some of their contributions.

Bill, two questions. First of all, well, let me ask the second question first. What…if to avoid this whole controversy all you have to do is disclose financial contributions, what's the big deal? Why don't you just do that?

BB-Because we were not involved in express advocacy which is what triggers that requirement.

KA -Bill, I understand.

BB-That's what triggers that requirement.

KA -Bill, I understand. You don't have to. That's not what I….let's say you're right and because you don't quote, "expressly advocate the passage," you don't have to. My question to you is let's say you're right and you don't have to. What is wrong to just avoiding the issue by saying here's who gave us money in support of TABOR?

BB-But but nobody gave us money in support of TABOR. They gave us support…uh…any of our donors that we've had over the course of our history as an organization are giving us financial support because they believe in the ideas that we are bringing to the table. They believe in the ideas of liberty, of free market, of conservative economic values. That's what they are supporting. They're not supporting the passage or the defeat of any specific law.

KA -Okay, okay. So why not. Let's say you're right. Why don't you just say, "Look, there are people who support our views on free enterprise, conservative economics"? What is wrong with simply saying, "Alright we might be (muffled word) of this technicality, however, you know, we are happy to tell you who contributed because we're proud of them and they are proud of themselves.

BB-But but you're smacking in the face of what is required by the law and what we should or should not do. Should or should not do based on who's request. I mean, the question is okay so who's funding these various organizations that are involved in public policy. Some will tell you who their donors are. Some won't. Some have donors that wish to remain anonymous because that's their simple request. They don't want to get hit up by other people for money. This goes on whether it be in hospitals, churches, organizations like ours. You have lots of donors who wish to remain anonymous. You have lots of donors who don't wish to have their name out there in the public.

MV -7:45. We're talking to Bill Becker of the MHPC. His organization has been accused of maybe violating government, uh, excuse me, election spending ethics. Bill, basically what this breaks down to in your mind and I think in mine as well is that after this campaign we've had here with the Republican Governor's Association, the Maine Democratic Party, they would run all of these commercials talking about Baldacci and Woodcock but they would never say, "Vote for John Baldacci on November 7th," but that's basically what you're saying is happening here. Correct?

BB-That's…in this specific case, that's right.

MV -Okay.

KA -And do you think that's well, you obviously think that's right, I mean….

MV -Well, Baldacci thought it was right.

BB-Yeah, but I agree with you both that the law has got to be clarified. This is a specific law called 1056B that was designed to address organizations that are not PACS, that are not political parties that are going out there and buying ads, spending money on, uh, influencing the outcomes of, uh, citizen's initiatives. The difference is that those organizations that are out there buying ads and buying radio time, print time….those organizations should be reporting their contributions, but to say that the organizations like ours, or Muskie, or Margaret Chase Smith or the Chambers that were involved in researching and advocating positions on it -that we all have to do it because we took time to research and analyze and disseminate our findings. I think you're opening up a Pandora's Box that you don't want to get into. You're really starting to move into a free speech question here.

KA – We're speaking to Bill Becker from the MHPC. Bill, do you really, I mean, I think you lose some credibility when you say, "I didn't expressly advocate for TABOR." Because and I'm not faulting you for being a proponent. I think you were a great spokesperson for TABOR. I think that when you were on the air with us your arguments were coherent, forceful and intelligent. What is so hard to…

BB-You're buttering me up, Ken…come on.

KA -No, no and I've said that. I think that you are a very intelligent man. You believe in what you believe. Our politics are different but I have a great deal of respect for you. But don't you lose some credibility by saying, "Well, this bright line is, I didn't say vote for TABOR. I just told you all the reasons why you should vote for TABOR." Isn't that a little deceptive?

MV -But that's what we do, Ken. That's what they all do. Why pick on Bill for that?

KA – Mike - have I not said that Chandler and John were wrong?

BB-But here's the issue. This is a specific Maine law. This isn't Federal Law. This is just Maine law and what it shows is that the Maine law has got to be clarified. The question is and I think the way to clarify it is to make this statement on this 1056B...we're talking about if you buy radio time, print time, TV time to say vote yes or vote no on this issue or if you send a mailing out from the University of Maine Alumni Association as was done. It never said, "Vote yes or no," but it did say all of the terrible things that could happen under the Taxpayer Bill of Rights that would not have happened by the way. Then, I think that.....

KA -That's not advocacy!?!

MV -Hey Bill, can you imagine what this guy would have done if you'd won?

BB-Well, that's it. You know I think the issue here is the Property Tax Cap two years ago lost by 34 points. Taxpayer Bill of Rights this year only lost by 8 points and got 40,000 more votes than the Governor got. I think what you're seeing is a concern by those who are against these sort of limited constitutional government organizations to say, "Hey, these ideas are picking up steam. We gotta find a way to squash them."

MV -Hey Bill, an idea that's picking up steam is we're out of time. We gotta go. Thanks for the time as always, Bill, uh and uh, good luck with this case.

KA -Thanks, Bill.

BB-Thanks, guys.

MV -Thank you, Bill Becker, Maine Heritage Policy Center again.

# WLOB INTERVIEW W/ BILL BECKER 11/30/06

Ray Richardson -Thanks for calling FOX 40 News WLOB at FOX 23. Hi, you're on the air.

Bill Becker-Well, good morning guys, from Washington, D.C.

Ted Talbot -Hey, Bill Becker, how are you?

BB-I'm good. I was trying to get through. You guys are pretty busy.

RR -Well, you're darn right and we didn't know you were in Washington. What are you doing over there?

BB-I'm just down here making sure that the government is working as it should be.

RR -Oh, I see. They've let you in when the President's abroad. Well done, Bill. That's fine.

BB-They needed someone to watch the White House while he was away.

RR -Well, good! Say hi to my buds at the White House will you? That'll be fun. What, what....Bill, President of The Maine Heritage Policy Center, normally you're in here every Thursday, 7-7:30. What's new? What's your group working on? You're, you're you know, TABOR boy – now what?

TT-And you've also been in the news a lot lately. Why don't you talk about that a little bit.

RR -Maybe you're working on a defense. I don't know what you're working on.

BB-Yeah, well, you know, this is an interesting development that's occurred. The Democracy Maine group, which is basically a group of liberal activists, have gotten together and decided that they don't like the ideas that the Maine Heritage Policy Center is advancing. So this is not really as much a campaign finance issue as it is a freedom of speech issue. They want to basically quash the ability of organizations like the MHPC from formulating and promoting free market and conservative public policy solutions for Maine.

TT-Did they file similar charges or similar complaints against the Katahdin Institute when Anna Marie Klein was in here every other week for half an hour putting TABOR down, saying TABOR would create calamity, that TABOR was bad?

BB-No, absolutely not and that's why.....

TT -I wonder why.....

BB-Why, this is, this is, well this is obviously well we know why this. This is an effort by organizations (horn sounds in background) that do not like to have.....

RR -Little gas, Bill, you alright?

BB-...Yeah....they don't like to have that sort of...

RR -(Interrupts.) What are you eating there, Bill?

BB-....(muffled words)...in the public way. I mean, that's not where we are right now, so the Ethics Commission will hear the complaint on December 12th and make a decision.

RR -Well, their specific complaint then Bill, is what? I mean, if the end game is shutting you guys off, what are they using as a vehicle?

BB-Well, there's a specific Maine law – this is not federal law - called a 1056B, which basically says if you, uh, in any way influence the outcome of a citizen's initiative spending more than $1500.00 on it, then you have to declare your expenditures and you have to declare your sources of income.

RR -Sure.

BB-And the argument is of course is from our perspective is we're doing what we've done everyday since the beginning of this organization which is to form, research, analyze, promote public policy solutions.

RR -Yeah, but are you transparent enough in your funds and so forth?

BB-Yes, absolutely. But the question is it really becomes a free speech issue. You know, is the state of Maine trying and through the 1056B law, trying to say, "Well, some organizations can say things as long as they report their funding sources and others can't"? I mean, that's what the Ethics Commission is going to have to deal with on December 12th.

RR -Interesting. Well, you're going to be back from Washington for that hearing I hope.

BB-(Laughs.) We'll be back, uh, we'll be back very soon.

RR -Oh, good...

BB- But it's an interesting time and I think that from the perspective of the free market, it's an important opportunity for people to understand that there are other viewpoints out there besides just the ones expressed on the mainstream media or coming out of the Majority office or the Governor's office.

TT - I, uh, from my personal perspective, what I would love to see happen out of this is - that nothing happened to Heritage obviously because I don't think that Heritage has done anything wrong - but I would love to see some clarification of the rules on nonprofits because it appears to me if you're with the right mindset, if you think the correct way in this state, you can say anything you want to say. And if you happen to be of a different mindset, and don't support big government and a poor economy, then they're gonna come after you. But we certainly saw, um, like for example you've been here for a half an hour for about eighteen months coming in and advocating for the passage of sensible fiscal policy. Anna Marie came in and fought that sensible fiscal policy and it appears it was okay she did because she's from the happy crowd.

BB-Right and the other thing we have to understand is the complaint. This guy by the name of Carl Lindemann, who isn't even a resident of Maine. He's a resident of Texas. He's been after us for a number of years. He filed complaints with the IRS about us and that sort of thing. So it's sort of bordering on harassment at this point.

RR- Oh

BB- Uh, but we'll see it go through its, uh, its uh, course. I think the Ethics Commission has been pretty consistent with what they consider to be express advocacy and what they consider to be education whether it be the Baldacci commercials or the Woodcock commercials, uh, in this election cycle. So, uh, I think that in the end that things will work out just fine.

**Carl Lindemann**

P.O. Box 5344
Portland, Maine 04101

Phone 207-761-4224
Email Carl@cyberscene.com

William G. Becker, III
Executive Director
Maine Heritage Policy Center
P.O. Box 7829
Portland, Maine 04112

March 28, 2005

Dear Mr. Becker,

Today on WGAN-AM's Morning News Show, you stated that you disclose the identities of those funding your organization on your IRS form 990. I have since examined your 2003 filing, what appears to be your most recent. Unfortunately, you chose not to disclose that information there.

Perhaps you meant to say that you would be disclosing this information in your forthcoming 990 (2004) filing. Is that the case? Or, counter to what you stated publicly, do you choose not to identify the source(s) of your funding?

In any case, I request a copy of your 2004 form 990 filing as soon as it is available. In addition, I request a copy of your form 1023 application.

I look forward to receiving your reply clarifying your disclosure policy as well as the requested documents.

Cordially,

NO REPLY

cc M. Violette

**Carl Lindemann**

P.O. Box 5344
Portland, Maine 04101

Phone 207-761-4224
Email Carl@cyberscene.com

Internal Revenue Service
TE-GE
Room 4010
PO Box 2508
Cincinnati, Ohio 45201

May 12, 2005

To whom it may concern,

I wish to report what appears to be a clear a violation of the Exempt Organization Public Disclosure Requirements under T.D. 8818 issued on 4/8/1999 amending the regulations implementing IRC section 6104 of the Code.

On March 28, 2005, I sent a formal request via certified mail to the Maine Heritage Policy Center (aka Maine Policy Center), a 501(c)(3) public charity, for their 2004 form 990 filing as well as a copy of their form 1023 application. The USPS confirms delivery on March 30. I have not received any communication from them responding to this request.

As I understand it, they are required to provide copies of these documents within 30 days of a written request. I have not received ANY communication from them as of today, some 40 days after their receipt of the request.

My inquiry here is motivated by a concern over the legitimacy of this organization's 501(c)(3) status. They might be seen as engaging in thinly veiled partisan political advocacy and as such should be classified as a 501(c)(4). Their apparent failure to fulfill their reporting obligations underscores questions about their status as a bona fide 501(c)(3) public charity.

Please let me know how I can follow-up here on the status of your investigation. I have enclosed copies of the various documents pertaining to this situation.

Sincerely,

Internal Revenue Service

Department of the Treasury
P. O. Box 2508
Cincinnati, OH 45201

Date: June 30, 2005

Person to Contact:
Kaye Keyes 31-07416
Customer Service Specialist
Toll Free Telephone Number:
8:30 a.m. to 5:30 p.m. ET
877-829-5500
Fax Number:
513-263-3756

CARL LINDEMANN
P O BOX 5344
PORTLAND, ME 04101

Dear Mr. Carl Lindemann:

This is in response to your request of May 16, 2005, regarding Maine Policy Center's, not providing copies of their Form 990 return of organization exempt from income tax.

To help you with your immediate need for inspection of the organization's Form 990's and Form 1023 application, we have enclosed Form 4506-A, *Request for Public Inspection or Copy of Exempt Organization IRS Form.* We are aware that the organization is required to provide copies for you, and we will pursue that issue. Due to disclosure rules, we will be unable to provide you with information regarding any possible investigation. We are sorry, but we are unable to provide information on specific penalties that might be assessed against an organization.

For your information, the name and address of contributors to an Organization other than a private foundation are not available for public inspection. However, when an organization applies for exemption, the contributors on the 1023 application are public knowledge thru Internal Revenue Service only.

Please accept our apology for the delay in responding to your request and for any inconvenience this may have caused you or your organization.

If you have any questions, please call us at the telephone number shown in the heading of this letter.

Sincerely,

Jim Blair

for Marilyn Baker
Manager, TE/GE
Customer Account Services

*We the people of Maine...*

THE **MAINE HERITAGE** POLICY CENTER

www.mainepolicy.org

P.O. Box 7829
Portland, Maine 04112

Tel: 207.321.2550
Fax: 207.773.4385



November 6, 2006

Mr. David A. Briney

Denver, Colorado

Dear Mr. Briney,

On behalf of the Board of Directors, please accept my sincere thanks for your generous contribution of $125.00 to The Maine Heritage Policy Center. We are very grateful for this donation, and will use it to advance our mission of promoting The Taxpayer Bill Of Rights, a solution that will benefit all people of Maine.

As the author of The Taxpayer Bill Of Rights, we believe that this initiative provides a road map to jump-start Maine's economy. With only a few weeks until the election, we are in a fight for Maine's economic life. As you are aware, Maine has the highest property taxes and the highest state and local tax burden in the country. Our economy continues to struggle. In 2005, Maine was just one of two states to see a decline in economic activity, as reported by the Federal Reserve Bank of Boston. Louisiana, which was ravaged by hurricane Katrina, was the only other state to see a decline. It is more important than ever to educate Maine citizens about the challenges we currently face.

We understand that the economic pie is shrinking. A large part of the problem has been Maine's highest-in-the-nation tax burden, driven by out-of-control government spending. One way to address that problem is through an effective "Tax-and-Expenditure Limit" such as Maine's proposed The Taxpayer Bill Of Rights. Such responsible public policy encourages Maine businesses to remain in the state and grow, thus creating more Maine jobs and higher incomes for Maine workers. With Maine's per capita tax burden growing 50% faster than the rate of inflation, we must act now and work to stop Maine's spending frenzy. Since January 2003, government jobs are growing at more than twice the rate of private sector jobs. This is not an investment in Maine's future. We are digging out the facts everyday and working hard to promote this race based on facts and evidence, not emotions.

The Taxpayer Bill Of Rights is the only public policy in front of Maine voters or our legislators that is guaranteed to reduce Maine's tax burden and ensure that government does not grow faster than the people's ability to pay. It is a reasonable solution for Maine citizens and I thank you for being part of the solution in helping to solve Maine's economic challenges and for investing in Maine's future.

Thank you for joining this effort to help our leaders understand the need for genuine reforms in the way Maine operates – and for providing them with viable and proven policy solutions that will change Maine's future to one of opportunity and promise.

Please do not hesitate to contact me at 207-321-2550 with any questions or suggestions. Thank you again for your support – I look forward to seeing you at a Maine Heritage event very soon.

Yours truly,

Bill Becker

Bill Becker
President and Chief Executive Officer

EXHIBIT
B

November 29, 2006

Name
Address
City, State Zip

Dear Name,

On behalf of the Board of Directors, please accept my sincere thanks for your very generous contribution of $0.00 to The Maine Heritage Policy Center. We are extremely grateful for this donation, and will use it to advance our mission of promoting free market and conservative public policy solutions that will benefit all people of Maine.

Maine remains in a precarious position today. The state continues to run significant budget shortfalls resulting in well-publicized debates on what program or service must be cut. Our state and local tax burden is the highest in the nation. Our highest marginal income tax rate remains one of the highest in the nation with one of the lowest thresholds. Our Medicaid program is one of the largest, fastest growing, and most costly Medicaid programs in the nation. Our business-friendliness is ranked near the bottom of all states, and our economic freedom index is similarly poor. All this is additionally burdened by the Governor's questionable and unsustainable Dirigo Health initiative.

Yet, there is another way for Maine. Our vision at The Maine Heritage Policy Center is that Maine becomes a state that embraces the free markets by implementing public policies that help, rather than hinder, job creation and retention. Lowering the overwhelming state tax burden, putting a spending cap on all levels of government spending, promoting competition in the health insurance market, and putting the patient, rather than the government, back in charge of their health care choices – these are each examples of the policies that The Maine Heritage Policy Center researches, analyzes, and promotes.

Our long-term goal is to dramatically alter Maine's future through a paradigm shift that will move the State away from its 30-year drift toward a culture of dependence. Our efforts are to redirect Maine's public policies to create a culture of entrepreneurship and economic growth. Immediately lowering Maine's overall tax burden and excessive health insurance premiums are both immediate goals of the Center. Until we are seen as an equal to other states, Maine will never be able to attract real and sustained business development and economic growth.

Thank you for joining this effort to help our leaders understand the need for genuine reforms in the way Maine operates – and for providing them with viable and proven policy solutions that will change Maine's future to one of opportunity and promise.

Please do not hesitate to contact me at 207-321-2550 with any questions or suggestions. Thank you again for your support – I look forward to seeing you at a Maine Heritage event very soon.

Yours truly,

Bill Becker
President and Chief Executive Officer

SOCIETY OF PROFESSIONAL JOURNALISTS.

# Code of Ethics

## Preamble

**Members of the Society of Professional Journalists believe that public enlightenment is the forerunner of justice and the foundation of democracy. The duty of the journalist is to further those ends by seeking truth and providing a fair and comprehensive account of events and issues. Conscientious journalists from all media and specialties strive to serve the public with thoroughness and honesty. Professional integrity is the cornerstone of a journalist's credibility.**

**Members of the Society share a dedication to ethical behavior and adopt this code to declare the Society's principles and standards of practice.**

## Seek Truth and Report It

**Journalists should be honest, fair and courageous in gathering, reporting and interpreting information.**

**Journalists should:**

- Test the accuracy of information from all sources and exercise care to avoid inadvertent error. Deliberate distortion is never permissible.
- Diligently seek out subjects of news stories to give them the opportunity to respond to allegations of wrongdoing.
- Identify sources whenever feasible. The public is entitled to as much information as possible on sources' reliability.
- Always question sources' motives before promising anonymity. Clarify conditions attached to any promise made in exchange for information. Keep promises.
- Make certain that headlines, news teases and promotional material, photos, video, audio, graphics, sound bites and quotations do not misrepresent. They should not oversimplify or highlight incidents out of context.
- Never distort the content of news photos or video. Image enhancement for technical clarity is always permissible. Label montages and photo illustrations.
- Avoid misleading re-enactments or staged news events. If re-enactment is necessary to tell a story, label it.
- Avoid undercover or other surreptitious methods of gathering information except when traditional open methods will not yield information vital to the public. Use of such methods should be explained as part of the story.
- Never plagiarize.
- Tell the story of the diversity and magnitude of the human experience boldly, even when it is unpopular to do so.
- Examine their own cultural values and avoid imposing those values on others.
- Avoid stereotyping by race, gender, age, religion, ethnicity, geography, sexual orientation, disability, physical appearance or social status.
- Support the open exchange of views, even views they find repugnant.
- Give voice to the voiceless; official and unofficial sources of information can be equally valid.
- Distinguish between advocacy and news reporting. Analysis and commentary should be labeled and not misrepresent fact or context.
- Distinguish news from advertising and shun hybrids that blur the lines between the two.
- Recognize a special obligation to ensure that the public's business is conducted in the open and that government records are open to inspection.

## Minimize Harm

**Ethical journalists treat sources, subjects and colleagues as human beings deserving of respect.**

**Journalists should:**

- Show compassion for those who may be affected adversely by news coverage. Use special sensitivity when dealing with children and inexperienced sources or subjects.
- Be sensitive when seeking or using interviews or photographs of those affected by tragedy or grief.
- Recognize that gathering and reporting information may cause harm or discomfort. Pursuit of the news is not a license for arrogance.
- Recognize that private people have a greater right to control information about themselves than do public officials and others who seek power, influence or attention. Only an overriding public need can justify intrusion into anyone's privacy.
- Show good taste. Avoid pandering to lurid curiosity.
- Be cautious about identifying juvenile suspects or victims of sex crimes.
- Be judicious about naming criminal suspects before the formal filing of charges.
- Balance a criminal suspect's fair trial rights with the public's right to be informed.

## Act Independently

**Journalists should be free of obligation to any interest other than the public's right to know.**

**Journalists should:**

- Avoid conflicts of interest, real or perceived.
- Remain free of associations and activities that may compromise integrity or damage credibility.
- Refuse gifts, favors, fees, free travel and special treatment, and shun secondary employment, political involvement, public office and service in community organizations if they compromise journalistic integrity.
- Disclose unavoidable conflicts.
- Be vigilant and courageous about holding those with power accountable.
- Deny favored treatment to advertisers and special interests and resist their pressure to influence news coverage.
- Be wary of sources offering information for favors or money; avoid bidding for news.

## Be Accountable

**Journalists are accountable to their readers, listeners, viewers and each other.**

**Journalists should:**

- Clarify and explain news coverage and invite dialogue with the public over journalistic conduct.
- Encourage the public to voice grievances against the news media.
- Admit mistakes and correct them promptly.
- Expose unethical practices of journalists and the news media.
- Abide by the same high standards to which they hold others.

Sigma Delta Chi's first Code of Ethics was borrowed from the American Society of Newspaper Editors in 1926. In 1973, Sigma Delta Chi wrote its own code, which was revised in 1984 and 1987. The present version of the Society of Professional Journalists' Code of Ethics was adopted in September 1996.